| | | |
|---|---|---|
| Austria ... Sch 20 | Indonesia ... Rp 2500 | Portugal ... Esc 90 |
| Bahrain ... Din 0.650 | Italy ... L 1500 | S. Arabia ... Rls 6.00 |
| Belgium ... BFr 45 | Japan ... Y550 | Singapore ... S$ 4.10 |
| Canada ... C$1.00 | Jordan ... Fils 500 | Spain ... Pta 175 |
| Cyprus ... C£0.70 | Kuwait ... Fils 500 | Sri Lanka ... Rup 30 |
| Denmark ... DKr 8.00 | Lebanon ... L£ 8.00 | Sweden ... SKr 7.00 |
| Egypt ... E£1.00 | Luxembourg ... LFr 45 | Switzerland ... SFr 2.20 |
| Finland ... Fmk 6.50 | Malaysia ... Rs 4.25 | Taiwan ... NT$ 65 |
| France ... Fr 6.00 | Mexico ... Peso 300 | Tunisia ... Din 0.600 |
| Germany ... DM 2.20 | Morocco ... Dh 6.60 | Turkey ... L 750 |
| Greece ... Dr 90 | Netherlands ... Fl 2.75 | U.A.E. ... Dh 6.50 |
| Hong Kong ... HK$ 12 | Norway ... NKr 7.00 | U.S.A. ... $1.00 |
| India ... Rs 15 | Philippines ... Pes 20 | |

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,839 Monday January 27 1986 D 8523 B




**Morgan Stanley gears up for a global battle, Page 12**

World news

## Lebanese PM 'no' to Cabinet meeting

**President Amin Gemayel called a meeting of Lebanon's divided Cabinet for an attempt to avert another outbreak of civil war, but Prime Minister Rashid Karami declared he would not attend.**

Karami said he would boycott the meeting because Gemayel wanted the Cabinet to refer a peace plan back to the Parliament. Earlier story, Page 2

### Yemen rescues ban

British officials in South Yemen said the authorities have forbidden any more evacuations by sea, after the rescue of more than 6,000 people from battle zones by a fleet of ships including the royal yacht Britannia.

### Resignation refused

Tan Koon Swan, Malaysian businessman and politician, had his resignation as president of his political party, the Malaysian Chinese Association, turned down. Last week Tan was charged in a Singapore court with a number of criminal business offences. Page 2, Lex, Page 14

### Peres goes to Bonn

Israeli Prime Minister Shimon Peres left for Bonn on a four-day visit to West Germany that will include talks on the Middle East and a visit to a concentration camp site. Page 2

### New Ambassador

The Israeli Cabinet approved the appointment of Shmuel Hadas as Israel's first ambassador to Spain. Mr Hadas has been Israel's unofficial diplomatic representative to Spain for the last five years.

### Minister dropped

Soviet leader Mikhail Gorbachev replaced Internal Minister Vitaly Fedorchuk, former head of the KGB and recently responsible for enforcing an anti-alcohol campaign. Page 2

### Shevardnadze call

Soviet Foreign Minister Eduard Shevardnadze called on the United States to stop testing nuclear weapons as a first step towards their abolition.

### Bombay dropped

The Mayor of Bombay said the city would henceforth be known as Mumbai, although the Indian Government in New Delhi opposed the name change.

### Checkpoint facelift

Checkpoint Charlie, the famous border crossing between East and West Germany, was to reopen today as a vast complex of offices including a 10-lane traffic facility.

### Irish arms seized

Irish police seized caches of arms thought to have been hidden by the IRA in three separate locations, and arrested five people. Page 14

### Prison hunger strike

Prisoners in Barcelona's Modelo jail started a hunger strike and demanded pardons after 40 inmates mutilated themselves as part of the same campaign.

### Portuguese vote

Votes were being counted in Portugal's presidential election after a good attendance at the polls in sunny weather. Page 2

### Peace rally injuries

Three people were hurt in Windhoek, Namibia, when police used teargas and whips to end a rally marking the United Nations Year of Peace.

### Frost hits reindeer

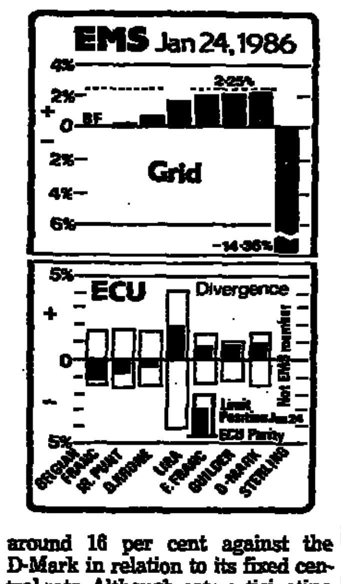
Frost which ruined their staple diet of moss caused the deaths of 1,300 reindeer in Siberia, according to Soviet officials.

Business summary

## Jardine Matheson buys US insurer

JARDINE MATHESON Holdings, based in Hong Kong, has agreed to acquire Emett and Chandler, US insurance group, in a US$61.9m deal intended to consolidate the group's place among the world's top 10 brokers. Page 18

EUROPEAN Monetary System: Attention focused on sterling last week and its sharp fall on weaker oil prices. The pound has fallen




around 16 per cent against the D-Mark in relation to its fixed central rate. Although not participating in the exchange rate mechanism, sterling is used in Ecu calculations.

Even though the US dollar was slightly weaker overall, weaker currencies were not under any intense pressure. However, the Belgian central bank continued to support its currency through intervention. Central banks are likely to contain any possible distortions until after the French general election.

*The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.*

TOKYO share prices in Saturday's session were boosted by the yen's rise against the dollar and the Nikkei average rose 49.17 to 12,953.37. Leading prices, Page 29

EEC import controls on dried grapes are to be challenged in the European Court of Justice. Page 22

PRESIDENT Ronald Reagan upheld an important ban on a Dutch-made fibre in a move that might worsen relations between the US and the European Community. Page 3

OMAN has devalued its currency, the rial, by 10.2 per cent in an attempt to control a budget deficit swollen by the fall in oil prices.

CRÉDIT SUISSE, third largest Swiss bank, will shortly streamline and extend its operations in West Germany where it has taken over two credit institutions in the past year. Page 15

COMPAGNIE Financiere de Suez, French state-owned financial and industrial group, will announce today a record FFr 1.8bn ($240m) equity-raising and stock-conversion package to prepare the way for possible denationalisation after the March general elections. Page 14

TEXACO, US oil group, increased net income in 1985 by 15 per cent to $1.23bn, but this did not include provision for the $11.1bn damages award against the company for its 1984 battle for Getty Oil. As a result its 1985 accounts might have to be qualified. Page 18

YARROW, UK engineering group fighting a £16.5m ($23m) takeover bid from Weir group, forecast a 96 per cent rise in annual pre-tax profits to at least £3m and promised a 17 per cent dividend increase. Page 20

CLAYTON DEWANDRE, UK manufacturer of brake systems in the UK, is seeking radical pay cuts and changes to employment conditions, to save jobs. Page 22

# Thatcher pledges full account of Westland affair

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

MRS MARGARET Thatcher, the UK Prime Minister, yesterday promised to give full and precise details of her handling of the Westland helicopter affair during this afternoon's emergency debate in the House of Commons when she faces a crucial test of her premiership.

At stake may be her survival as Prime Minister as she seeks to remove the doubts about both her integrity and competence left after her Commons statement last Thursday.

Mrs Thatcher is assured of strong support from her own backbenches today. Tory MPs have rallied behind her following last Friday's resignation by Mr Leon Brittan as Trade and Industry Secretary.

What will matter in the longer term is whether Mrs Thatcher can begin to reassert her authority and provide convincing answers to questions about how much she knew of the decision of Mr Brittan and her own Downing Street staff on January 6 to leak part of a letter from Sir Patrick Mayhew, the Solicitor-General, to Mr Michael Heseltine, the then Defence Secretary.

The effect of the leak was to discredit Mr Heseltine in his support for the European consortium which has been seeking to rescue the troubled helicopter company against the rival Sikorsky/Fiat offer preferred by the Westland board.

Mrs Thatcher told MPs she was not consulted about, but agreed with, the decision to make Sir Patrick's letter publicly known.

Interviewed yesterday on an independent televison channel, Mrs Thatcher said MPs had raised a lot of questions about her statement and she intended to reply in full and precise detail. She said that in giving general answers last Thursday she had not wanted to be misleading.

Mrs Thatcher admitted that at times "truth is stranger than fiction." She said she still wanted to go on to a third term as Prime Minister.

Mr Douglas Hurd, Home Secretary and widely tipped as a possible successor to Mrs Thatcher, acknowledged yesterday that Mrs Thatcher's statement on Thursday was in some respects incomplete." However, interviewed on another independent television channel programme, he said he expected her statement to be amplified today.

Mr Hurd, like other ministers interviewed yesterday, sought to downgrade the importance of the affair which, they argued, had arisen from an exceptional breakdown of Cabinet collective responsibility.

Mrs Thatcher repeatedly laid the blame on Mr Heseltine and said that following his resignation "Cabinet responsibility has been restored." She argued that "Westland is a small thing and had it not been that we had one member of the team not playing as a team, this would never have arisen."

Mr John Smith, the Labour Party's trade and industry spokesman, said that the Prime Minister's integrity and competence were at issue in today's debate. He said: "I dare say she will try to brazen it out, but I do believe the damage will be permanent."

Dr David Owen, the Social Democratic Party (SDP) leader, said the affair was a "Watergate-type scandal."

The impact of the affair was shown in a Harris Research Centre survey in a national Sunday newspaper. Three-quarters of the sample thought Mrs Thatcher had handled the Westland affair badly. The poll put the Labour Party in the lead at 36 per cent with the Tories at 31 per cent.

Details, Page 4; Editorial comment, Page 12

# Murdoch papers printed in defiance of unions

BY JOHN LLOYD, HELEN HAGUE AND RAYMOND SNODDY IN LONDON

MR RUPERT MURDOCH, chairman of News International, has succeeded in printing and partly distributing two of his UK newspapers, The Sunday Times and News of the World, in defiance of the main print unions.

His successful occupation of a new plant in Wapping, east London, from which all his London-based national newspapers will now be edited and published, will stimulate rapid efforts by other Fleet Street managements to cut production costs.

The company yesterday claimed to have printed and distributed 3m of the normal 5m print run of the News of the World – 750,000 from its new printing plant in Glasgow – and 1.2m copies of The Sunday Times, 150,000 down on a normal run.

The claim was dismissed by Ms Brenda Dean, general secretary of the print union Sogat '82, who said the distribution effort was "a shambles".

Sogat has blacked the handling of all News International (NI) titles.

NI said last night that it would take out injunctions today against print union members who refused to print copies of the News of the World at the Express Newspapers plant in Manchester. It also plans to seek damages.

The company last night seemed likely to publish its daily titles, The Sun and The Times, this morning.

Three other national newspaper groups are poised to propose big reductions in manning levels and attempt to negotiate new technology agreements.

● United Newspapers, the new owner of Express Newspapers, will tomorrow present plans to cut about 2,000 of its 6,000 staff.

● The Telegraph group intends to begin talks on reducing its London production staff by nearly half. Mr Frank Rogers, chairman of Emap, the provincial publisher and printer, has been appointed deputy chairman with a key role in the talks.

● The Financial Times is putting the finishing touches to a plan to move to a new printing plant on the outskirts of London, with new manning levels to be negotiated through voluntary redundancies and non-replacement with the existing print unions. The plans are to go to the board of Pearson, the FT parent company, in due course.

Details, Page 6

# Uganda rebels plan broad government

BY OUR FOREIGN STAFF

THE REBEL National Resistance Army (NRA) of Uganda said yesterday that it regarded itself as the government of the country, having driven the last of General Tito Okello's troops out of Kampala.

Mr Yoweri Museveni, the leader of the guerrillas, speaking on Radio Kampala, said he had dissolved Gen Okello's ruling Military Council and that he would soon set up a broad-based government after consultation with all parties.

In the meantime an interim administration that has been running the NRA controlled area of southwest Uganda since last October would administer the Kampala area.

Mr Museveni, whose soldiers have a reputation for discipline and fairness, accused government troops of committing genocide and said the culprits would be punished. He called on local residents to form village committees to ensure security and urged retreating troops to surrender.

The guerrilla leader, a former defence minister in the coalition Government that succeeded dictator Idi Amin's regime, also announced that all foreign exchange dealings were suspended. Mr Museveni has been fighting a bush war for five years.

His announcement followed two days of heavy fighting in Kampala. Diplomats in the city reported by radio that the corpses of soldiers littered the streets early yesterday when jubilant Ugandans emerged from their homes for the first time since the fighting started last Friday.

Gen Okello, who ousted Dr Milton Obote in a coup last July, was reported to have visited a post near the Kenyan border at the weekend before returning to Jinja, 50 miles east of Kampala, where his troops were said to be regrouping.

Diplomats, however, confirmed other reports that soldiers in the 30,000-man government army had fled in disarray. Jinja is a key town on the main road to Kenya and is the site of the Owen Falls dam, Uganda's only source of electricity.

The British Foreign Office, which has been warning the 700 strong British community over the BBC World Service to remain indoors or leave for Kenya, confirmed that Entebbe airport, 20 miles from Kampala, was in NRA hands after government troops surrendered.

# Morgan Stanley to go public

By Terry Dodsworth in New York

MORGAN STANLEY, one of the oldest and most renowned Wall Street investment banks, has confirmed plans to abandon its private status in a move aimed at attracting outside capital to support its international growth. The new stock could begin trading as early as April.

After a vote on the share issue by the group of 282 executives that owns the company, Morgan said that the flotation would be an important step in its plans for expansion in an era of global securities markets. "It will raise additional permanent capital and, importantly, give us access in the years ahead to the international capital and financing markets," it said.

Although Morgan gave no further details, information leaked from employee meetings indicate that the public offering will put a valuation of about $1bn on the firm.

Under the new issue rules, the shares will have to be independently priced, but Morgan would apparently like to raise about $200m for 20 per cent of the business, leaving the balance of the shares, worth around $800m, in the hands of the current partners.

Set for global battle, Page 12

# Brussels in secret plan to axe food mountains

By Ivo Dawnay in Brussels

EEC farmers face a freeze on guaranteed product prices and a 3 per cent tax on cereals production if confidential draft proposals for the 1986-87 marketing year are adopted by the European Commission.

Senior political aides to the 17 Commissioners were last night hammering out the final version of the plan which also envisages an Ecu 3bn ($2.48bn) three-year scheme for disposing of food mountains in Community stores.

It is these surpluses that will leave the Commissioners little room for manoeuvre on the proposals when they debate on Wednesday a third year of price freezes and the new output restraints.

According to a secret report drawn up by Mr Frans Andriessen and Mr Henning Christophersen, the Farm and Finance Commissioners, the unsold food in store is now Ecu 10.5bn, or 10 times the value of stocks four years ago.

The cost of storage and destocking has also been revised upwards by Ecu 1bn to Ecu 4.4bn this year, or nearly a quarter of the entire budget allocation for agriculture. For some products these expenses are almost equal to the guaranteed prices paid to farmers when the food was bought in, while in the case of tobacco losses incurred at sale after a year of storage are greater than the value of the tobacco itself.

The proposals now under discussion advocate a price freeze for most products, with marginal price cuts for some varieties of fruit and vegetables, new incentives for milk to be turned to powder as opposed to butter and the gradual phasing out of support for the beef regime.

But the toughest changes in the package centre on new restrictions on cereals output. These plans include:

● A co-responsibility tax, probably of 3 per cent, on each farmer producing more than 25 tonnes.

● Stricter quality controls that threaten a 5 per cent reduction in guaranteed prices for lower grade grains.

● Phasing out of a superior price differential for durum wheat.

● Keeping community stores closed to sales until April 1 after each harvest to encourage sales to the free market.

The most heated debate within the commission and in the Farm Ministers' Council, is likely to be on the level of the new cereals tax. Ac-

EEC anti-terrorist moves; farm trade, Page 2

Continued on Page 14

# Japanese may cut official discount rate

BY JUREK MARTIN IN TOKYO

THE BANK of Japan appears poised to cut the official discount rate, perhaps as early as this week, after the steep rise on Friday in the value of the yen against the dollar.

Much apparently depends on whether the yen holds its higher level in the next few trading days. On Friday the yen closed in New York at Y195.75 to the dollar, a gain of Y6 on the day and a continuation of the earlier rally in Tokyo when it broke through the Y200 level for the first time in nearly seven years.

That advance had been triggered when Mr Noboru Takeshita, the Finance Minister, had been quoted as saying that a rate of Y190 to the dollar would be acceptable.

Until now the central bank has taken the view that it would be imprudent to cut the discount rate, which has remained at 5 per cent since October 1983, before the US Federal Reserve reduced its rates.

Mr Takeshita pushed hard for a concerted reduction of international interest rates at the Group of Five finance ministers' meeting in London a week ago. However, with UK interest rates rising in defence of sterling and US rates showing firmer trends, that initiative, by which Mr Takeshita had set much store, failed.

Since then the Finance Minister is understood to have told associates that he now believes central banks should act unilaterally. His public comments on Friday certainly seemed designed to nudge the Bank of Japan into action.

A cut in the Japanese discount rate would also be portrayed by the Government as part of the policy to help to ensure that Japanese economic growth does not falter. The Government's official forecast is for 4 per cent real growth in the fiscal year starting in April, but most private forecasts are much lower, ranging from 1½ to 3¾ per cent.

Japan's major trading partners have been urging it to play a greater role in maintaining tolerable levels of international expansion.

Japanese interest rates are now back at the level of late October, before the Bank of Japan administered a sharp jolt to the markets by guiding short-term rates steeply higher.

Despite the subsequent fall in interest rates the yen retained its strength against the dollar, hovering mostly in the Y200 to Y204 range for the last several weeks.

The long-standing conventional view, still by no means entirely abandoned, is that interest-rate differentials with the US are an important factor in determining the yen's value. Heavy capital outflow from Japan to the US, attracted by high-

Continued on Page 14

# Crucial week ahead for £ and UK rates

BY ROBIN PAULEY IN LONDON

THE money markets open today with attention focused on the Middle East, Vienna and the UK House of Commons as the British Government begins a week which will be crucial to its central economic policy.

The Government has so far resisted strongly all the market pressures for a further increase in interest rates despite a slide in the value of sterling, which last week lost nearly 5 per cent of its value against a basket of international currencies, and a collapse in oil prices which have tumbled by 30 per cent this year.

There are several important keys to whether UK banks' base rates can be held at 12½ per cent during this week. Prime Minister Margaret Thatcher's statement during today's emergency debate on the Westland affair will be watched closely by the markets, anxious to see whether she can assert her authority and bring the political crisis to a close.

Officials of the Organisation of Petroleum Exporting Countries (Opec), meanwhile, are to hold their first preliminary meeting today in Vienna in advance of the special committee meeting of five Opec oil ministers there next Monday to set a new output target for the organisation. Reports from Kuwait yesterday suggested that an extraordinary meeting of the full Opec council might be called before the end of February.

Although the committee might recommend an Opec market share of 18m barrels a day (b/d), similar to current levels, there were signs in the Middle East at the weekend

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Lombard, Page 13; currencies, Page 32



CONTENTS

# OVERSEAS NEWS

## Gorbachev ousts head of key ministry

BY OUR MOSCOW CORRESPONDENT

THE Soviet Union's Minister of Internal Affairs, responsible for enforcing the current anti-alcohol drive and overseeing the sizeable force of uniformed police, has been replaced by a Communist Party official with close regional ties with Mr Mikhail Gorbachev.

Mr Vitaly Fedorchuk, 67, took over the notoriously corrupt Interior Ministry in December 1982, just after Mr Yuri Andropov, the former KGB chief, became Communist Party leader and vowed to "crack down on bribery and other official abuses.

Mr Fedorchuk had previously headed the KGB for six months and before that was KGB chief in the Ukraine, overseeing repression of some of the country's most vigorous dissidents.

The terse announcement of Mr Fedorchuk's replacement by Mr Alexander Vlasov, 54, said only that the ex-minister had been transferred to another post.

Some Western diplomats said they had heard unconfirmed rumours that Mr Fedorchuk would take over the Communist Party in the Ukraine from Mr Vladimir Shcherbitsky. Mr Shcherbitsky, 67, had close ties with the now-maligned Leonid Brezhnev, meaning that he may be retired from the Ukranian party job, which he has held since 1972, and from the ruling Politburo, of which he has been a member since 1971.

Little is known about Mr Vlasov, who is a full member of the Communist Party's influential Central Committee.

He may have risen as a result of his regional ties to Mr Gorbachev. The Soviet leader was party chief in the Stavropol region of southern Russia when Mr Vlasov was head of the party, first in the neighbouring autonomous republic named after the Chechen and Ingush peoples, and later when Mr Vlasov was party chief in the Don River port of Rostov.

**The US is reportedly receiving vital information from a high ranking KGB official who fled the Soviet Union last year, Stewart Fleming reports from Washington.**

**But in an effort to prevent a recurrence of the embarrassment which surrounded the decision by Mr Vitaly Yurchenko, the defector who returned to Moscow last year alleging he had been held in the US against his will, government officials are keeping the name and whereabouts of the KGB official secret.**

**Reports in the US press have suggested that the official escaped by helicopter from East Germany last spring and is now living in the Midwest with a new identity. The Central Intelligence Agency has refused to confirm the reported defection.**

● The Soviet economy grew 3.1 per cent in 1985, rebounding from a slow start to improve on 1984's growth rate but finishing slightly below official targets for last year.

Published economic figures showed falling oil productions is the main headache for economic planners going into 1986. Oil production, including gas condensate, fell to 595m tonnes, well below a revised target of some 630m tonnes and less than 1984's 613m tonnes.

The poor performance has been reflected in a series of almost daily press criticism of the oil industry.

## Portuguese cast their votes for president

By Diana Smith in Lisbon

Prof Freitas do Amaral: ahead in the polls

LARGE CROWDS of Portuguese voters turned out in fine weather yesterday to cast their ballots in the third presidential election since the advent of democracy in 1974.

The end of the mandate of General Antonio Ramalho Eanes, who has served two terms since first being elected in 1976, closes a long chapter of 60 years of military patronage of Portuguese politics. There were only civilian candidates in yesterday's election, although Mr Francisco Salgado Zenha, a 62-year-old lawyer who recently resigned from the Socialist Party, ran under the sponsorship of General Eanes and his wife.

There were signs that the turnout was well above that of last October's snap general election, when abstentions reached nearly 28 per cent.

Polls late in the campaign indicated that the conservative candidate, Prof Diogo Freitas do Amaral, the 44-year-old law professor and former president of the Christian Democrat Party, could expect the backing of 40 to 45 per cent of the electorate.

This was not enough for an outright victory in the first round, but it was sufficient to guarantee him a place in the February 16 runoff. The polls also showed a close fight between Mr Mario Soares, the energetic pro-EEC Socialist leader, who has long wanted to be president, and Mr Salgado Zenha. The polls indicated each might get between 18 and 22 per cent of the vote.

Mr Soares appeared to have regained the backing of much of the 2m-strong Socialist electorate.

If the enthusiasm of the crowds he drew during the campaign was reflected in the ballot box, he stood an even chance of getting into the runoff.

## OECD gloomy about outlook for farm trade

BY ANDREW GOWERS

INTERNATIONAL tensions over agricultural trade are likely to worsen dramatically unless the major producing countries make a co-ordinated effort to adjust their farm support system, according to the Organisation for Economic Co-operation and Development (OECD).

In its annual report on agricultural policies and markets, the 24-member OECD is gloomier than ever about the outlook. It points to a deteriorating structural imbalance between production and consumption of most farm commodities; decreasing international farm trade; record public spending on agriculture; falling farm incomes; and intensifying subsidy battles between the big exporting countries.

"In the last 12 months the imbalances took on a more global aspect, in the sense that all member countries, to varying degrees, encountered similar difficulties and none of the major agricultural sectors was free from over-supply," it says.

The report, produced by the OECD's committee on agriculture, does not mention individual countries by name. But its message is clearly directed primarily at the US and the EEC, both of which are faced with similar problems of excess supply—and both of which are having great political difficulty in containing farm expenditure.

"The need to implement policies that are not only consistent at the national level but also compatible with other countries' policies . . . is becoming increasingly evident," it says. "Without such a global and co-ordinated effort, particularly as regards the fair sharing of the consequences of adjustment, the situation would deteriorate in every respect including, in the first instance, the income situation of a large number of farmers."

This co-ordinated effort, it adds, needs to be backed up by an improvement and extension of international rules on farm trade, a reference to the forthcoming multilateral negotiations in the General Agreement on Tariffs and Trade, which are expected to cover agriculture.

The report acknowledges that most OECD member governments are endeavouring to reduce their spending on agriculture, and that policy-makers in member states "have a substantial harmony of views about the medium- to long-term outlook." But it says their efforts "have seldom been applied with the necessary rigour."

It is particularly critical, by implication, of the tentative moves towards agricultural reform in the US and Europe. It draws attention to the danger, when countries impose production quotas as the EEC has done with milk, of fixing those quotas too high.

In the meantime, production of most commodities continues to increase as a result of technological advances, while import demand in what were once key purchasing countries—particularly in Asia—continues to decline and food consumption within the OECD countries is stagnant.

"For technical reasons, the rate of increase of yields is unlikely to slow down in the next few years. . . . In addition, it appears increasingly illusory to consider exporting as a way of marketing increases in domestic production."

## Bonn merger law review sought

BY JOHN DAVIES IN FRANKFURT

WEST GERMANY should carefully rethink its attitude to corporate mergers, according to Mr Wolfgang Kartte, president of the Federal Cartel Office.

He has tentatively suggested that a full-scale review of the question should be held by some newly-formed body after the federal elections early next year.

Mr Kartte's remarks, in a newspaper interview published at the weekend, are likely to add fuel to simmering debate about the effectiveness of the country's cartel laws. Mr Kartte, who is a stout defender of free competition, has often indicated that he thinks the cartel laws are inadequate.

He said that the Cartel Office was concerned that the number of corporate mergers had grown from 506 in 1983 to 575 in 1984 and 709 last year.

The Cartel Office did not want to interpret this as a "wave" of mergers, although it saw the possibility that the trend towards large-scale mergers in the US and the UK might spill over to West Germany. Bowing to political realities, Mr Kartte saw no prospect that the Bonn Government could seriously take up the question in the 12 months remaining before the next elections.

In ay case, he believed it was not enough to tinker with the existing cartel laws or to start formulating new ones. What was needed was a basic review of all aspects of the question, taking account of West Germany's industrial policies, taxation, and corporate and banking laws.

He said that the huge "war-chests" of funds built up by some big companies and banks had opened the way to "marriages of elephants." This phenomenon had to be carefully considered, he said.

Debate about West Germany's cartel laws has been stimulated by the move by Daimler-Benz, the motor vehicle group, to take control of the AEG electrical concern.

## Reagan 'unlikely' to propose tax increase

By Stewart Fleming in Washington

MR Donald Regan, White House Chief of Staff, said yesterday that if Congress proposed a tax increase as part of a package designed to tackle the US budget deficit, President Reagan "will look at it but I do not think he will buy it."

Mr Regan made his remarks on US television as President Reagan prepares to outline his political agenda for 1986 in his State of the Union speech on Tuesday and then in the following week when he sends Congress his 1987 budget proposals.

Already it is clear that the President's priorities are not shared on Capitol Hill, even by influential members of his own Republican Party.

Republicans such as Mr Robert Dole, Senate majority leader, Senator John Danforth, and Senate budget committee chairman Mr Pete Domenici have all suggested that it is not realistic for the White House to expect Congress to reach the $144bn (£107bn) budget deficit target set in the new Gramm-Rudman budget simply by cutting non-defence spending as President Reagan will propose.

But the White House appears to be preparing to fight a tough rearguard action in an effort to secure as much of the President's programme as it can. Asked yesterday when he would try to cut a compromise deal on the budget, Mr Reagan responded, "what deal?"

Separately, Mr Regan suggested that a report indicating that the Senate finance committee might start trying to write a new tax reform Bill not based on the one which passed the House late last year was wide of the mark. Such a step could diminish the chances of the Senate passing a tax measure.

## Transfer of city to Punjab state delayed

THE INDIAN Government was last night trying to break an impasse in the implementation of its peace accord for the troubled northern state of Punjab which prevented the state yesterday taking over the city of Chandigarh as its capital, writes John Elliott in New Delhi.

The handover was timed to coincide with the celebration yesterday of India's 37th Republic Day but talks which continued till late on Saturday failed to bridge the gulf between the Sikh-dominated Punjab and Haryana, where India's majority Hindus predominate.

Chandigargh has been the joint capital of Punjab and Haryana for more than 20 years and its handing over to Punjab alone was a central part of the peace accord reached between Mr Gandhi and Sikh leaders before the state's elections took place four months ago.

In return Haryana was to take over some Hindi-speaking villages and the Mathew Commission was appointed to determine, on the basis of language and other factors, which villages should be chosen.

The commission's report was held up by continuing disputes and eventually on Saturday it reported that it could not solve the problem. It said it could not, on the basis of survey of the use of the Hindi and Punjabi languages, recommend the transfer from Punjab to Haryana of one key village which contained a link road with 83 other villages to be switched. So the transfer of Chandigarh had to be postponed on Saturday night.

### South Africa warns neighbours over ANC

Mr Pik Botha, the South African Foreign Minister, has warned Botswana and all other neighbouring states to close African National Congress (ANC) infiltration routes through their countries or face "appropriate action" by the South African Defence Forces, writes Anthony Robinson in Johannesburg.

Mr Botha's statement to the Johannesburg Sunday Times followed a decision on Saturday to lift the de facto economic blockade of Lesotho and permit the normal flow of road as well as rail traffic between the two countries.

This effectively marked the end of the three-week siege of Lesotho which culminated in a bloodless military coup

### Tass says S. Yemen president replaced

The news agency Tass announced Saturday that South Yemen's Marxist party and national assembly replaced President Ali Nasser Mohammed with a provisional head of state, who apparently has Kremlin support, AP reports from Moscow.

Tass claimed the fighting that raged since January 13 between the president's faction and a rival faction had ceased and the situation in the capital of Aden "is gradually returning to normal."

Tass said the South Yemeni Socialist Party Central Committee and the presidium of the Supreme People's Council, the national assembly, met Friday and named Prime Minister Heidar al-Attas "acting president of the country."

### US fleet keeps up pressure on Libya

The US Navy kept pressure on Libya yesterday, exercising one of the few options left to Washington in its war of nerves against President Muammer Gadaffi, of Libya, Reuter reports from Washington.

The US Administration said the week-long naval operation, involving 26 ships, including the aircraft carriers Coral Sea and Saratoga, was launched yesterday to demonstrate US resolve to operate in international waters.

Although the operation seemed intended to do little more than show the flag, officials did not rule out a challenge by carrier planes to Libya's claim of jurisdiction over the Gulf of Sirte.

## Barre backs parliamentary right's election manifesto

BY DAVID HOUSEGO IN PARIS

THE RIFTS that have been damaging the French opposition in their election campaign were partially patched over the weekend when Mr Raymond Barre, the former Prime Minister, endorsed the Parliamentary right's election manifesto as "sober and good."

Mr Barre's declaration came after a week in which opposition leaders expressed increasing irritation with his publicly expressed disagreements with them over economic policy and other issues. Mr Claude Labbe, the leader of the Parliamentary group of the neo-Gaullist RPR, took Mr Barre to task as "playing the game of Mitterrand."

Although Mr Barre is campaigning for the opposition in the Parliamentary elections, he is not a member of any political party and does not feel bound by the opposition's programme.

But in remarks over the weekend he said the programme had avoided going to extremes over deregulation. He had hesitations, still he said, over the priority it gives to tax cuts as opposed to reducing the budget deficit.

With seven weeks to go to the elections, the Socialists are making the running.

The belligerency of their attacks on the right are reflected in new posters showing a wolf baring his teeth with the caption "Tell me, pretty right, why have you such big teeth?"

Mr Pierre Beregovoy, the Minister of Finance, said yesterday that the right's programme would make a shambles of the French economy. He called its tax and labour flexibility proposals a platform of revenge which would create social disorder.

Government officials claim that the right's economic proposals would cost almost FFr 70bn (£6.36bn) to the budget in 1988—the first full year in which a new government's budget would have effect—as a result of FFr 21bn in additional expenditure and FFr 48bn in tax cuts.

## Spain anti-Nato campaign launch

By David White in Madrid

POLITICAL parties and associations opposed to Spain's continued membership of the North Atlantic Treaty Organisation (Nato) launched their campaign organisation at the weekend as the Socialist Government prepared to take formal steps towards calling its referendum on the issue in March.

The date and terms of the referendum, in which the Government will seek endorsement for its argument that Spain should remain in Nato, will be made public at the end of this week ahead of a debate on the referendum in Congress on February 4.

The Opposition campaign organisation, known as the Civic Platform for Withdrawal of Spain from Nato, has set a budget of Pta 30m (£149,000), half of which is due to come from voluntary contributions and the rest from the constituent bodies. Principal among these are the Spanish Communist Party and the Communist-dominated Workers Commissions labour federation.

## UK urged to cut UN agency aid

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

BRITAIN, which left the United Nations Educational Scientific and Cultural Organisation (Unesco) at the end of last year, should pull out of other UN agencies as well and cut its financial contributions to the organisation, according to a report published today.

The report, published by the London-based Adam Smith Institute, which describes itself as a "market economics think tank," and written by Mr Douglas Bandow, a former special assistant to the U.S. President, claims that the UN's agencies are hostile to the West.

They are controlled by an "international elite, artificially created and nurtured by the UN," whose aim is to exercise control over natural, financial and information resources, and to regulate the world's economic and cultural activities, the author alleges.

At the top of his hit list, Mr Bandow places the UN's Industrial Development Organisation (Unido) and Council on Trade and Development (Unctad), which he describes as "illiberal and destructive."

Despite the fact that Western nations contribute the bulk of the UN's budget — the US contributes nearly 25 per cent of the total and the UK 5 per cent — the UN is controlled by a large number of small countries which often lack democratic governments, Mr Bandow says.

UN politicians are attempting to apply their "global management" philosophy to the seabed, the moon, Antarctica and other unclaimed resources, claiming that they are part of the common heritge of mankind. Mr Bandow, a former delegate to the UN Law of the Sea conference, adds.

The report urges the UK to work with like-minded states to block the UN's global management initiative, to reduce its budget allocation by one-third, to set up an independent panel to review the work of the UN agencies and to withdraw from Unido and Unctad and other agencies "beyond reform."

## Mideast issues dominate Peres visit to Bonn

By Rupert Cornwell in Bonn

MIDDLE EAST and trade issues will dominate the three-day official visit here by Mr Shimon Peres this week—the first trip for 11 years to West Germany by an Israeli Prime Minister.

Bonn represents the third and final leg of a European tour by the Israeli Premier which has already taken him to Britain and Holland. Shortly after his arrival last night, Mr Peres was due to attend a dinner hosted by Mr Hans Dietrich Genscher, the West German Foreign Minister, and he planned to hold extensive talks with not only Chancellor Helmut Kohl and senior Cabinet Ministers, but also leaders of the Social Democrat (SPD) opposition.

Public attention will focus mainly on the laborious efforts to revive the Middle East peace process. Mr Peres is also likely to be asked about the threat posed by alleged Libyan support for terrorism and Bonn's refusal to adhere to the sanctions against Col Gadaffi, recently imposed by Washington.

Behind the scenes, however, economic questions will play a substantial part.

## EEC anti-terrorist moves likely to disappoint US

BY QUENTIN PEEL IN BRUSSELS

NEW MOVES to counter international terrorism will be presented to EEC foreign ministers today, but any package they agree seems certain to fall far short of the economic isolation of Libya sought by the U.S.

Modest measures such as an embargo on the supply of arms and military equipment, and agreement not to replace U.S. technicians and know-how withdrawn from Libya, look to be the best that Washington can hope from its European allies — apart from a resounding denunciation of terrorism in general, and a decision to set up a study group on further concrete steps.

Failure by the Community to back the U.S. action against the Libyan regime, after intensive lobbying by Mr John Whitehead, the U.S. Deputy Secretary of State, over the past week is likely to add new irritation to the already sensitive relations between Brussels and Washington.

Trade friction between the two blocs is already high on the agenda, with the foreign ministers being asked to agree on retaliatory measures to be taken against US imports to counter the restrictions placed on EEC exports of semi-finished steel products to the US.

Officials are proposing that import quotas be imposed on US fertiliser, beef tallow and art paper sales to cut the value of such sales by $50m — the estimated loss to the Community of the steel action. The US unilaterally imposed a ceiling on EEC semis of 400,000 tonnes from January 1, with an extra discretionary 200,000 tonnes as a special arrangement for exports by the British Steel Corporation.

The ministers also have to decide what to do about their plans for reform of the Treaty of Rome, the EEC constitution, currently blocked by Denmark pending a referendum on February 27.

Mr van den Broek wants to go ahead with signing by 11 member states—assuming that Italy drops its continuing reservation—on February 17, but Greece, Luxembourg, and some legal advisors are all dubious about whether that should be done. Any treaty reform must be unanimously agreed by the 12.

## Washington team to monitor Philippine poll

By Our Washington Correspondent

SEN RICHARD LUGAR, chairman of the Senate Foreign Relations Committee, agreed to lead a delegation of 30 which will go to the Philippines to monitor the Presidential election there on February 7.

The move comes amid signs of growing disenchantment within the Reagan Administration and the Congress about the prospects for fundamental change in the Philippines while President Ferdinand Marcos clings grimly to power and the fear that without political and economic reforms the Communist insurgency in the country will continue to make gains.

Official frustration with the failure of efforts during the past two years to pressure on President Marcos to change course was underlined yesterday in a front page report by the New York Times. Written by Mr Leslie Gelb, who was a top State Department official before returning to the New York Times, the report said "a consensus has developed in the Reagan Administration that the departure of President Marcos is crucial to a non-Communist future for the Philippines and American interests in that country."

It went on to say that Administration policy is to distance the US from President Marcos rather than to try and drive him from power through covert or overt pressure. It said that President Reagan himself has not taken a major role in the formulation of the policy but added that both Mr George Shultz, the Secretary of State, and Mr Caspar Weinberger, the Defence Secretary, had approved it.

## Agusta angered as Spain orders French helicopters

BY ALAN FRIEDMAN IN MILAN

MR STEFANO SANDRI, the chairman of Efim, the Italian state holding group which controls the Agusta helicopter company, expressed his disappointment at the weekend at the way in which Aerospatiale, the French aerospace group, pipped Agusta to the post to win an important order for helicopters from the Spanish Government.

He is understood to have asked Mr Rafaello Teti, the Agusta president, to write a protest letter to Aerospatiale. Agusta thought it had a $91m (£64.5m) deal with Spain when Aerospatiale stepped in and clinched the order at the last minute.

There is speculation in Italy that the European consortium, which is proposing a rescue package for Westland of the UK, could be weakened as a result of the row. Mr Sandri was upset that Aerospatiale, a fellow member of the Euro-consortium, could treat Agusta in such a way.

**Peter Montagnon** analyses what appeared to be a spectacular coup by a leading debtor nation

## Brazil's break with the IMF may be short-lived

MR DILSON FUNARO, Brazil's Finance Minister, may have spent much of last week protesting on local television that the International Monetary Fund would never darken his doorstep again but his central bank governor, Mr Fernao Bracher, is not being let off so lightly.

This morning Mr Bracher will come face to face in London with Mr Eduardo Wiesner Duran, head of the IMF's western hemisphere department. Both men are due to speak at a conference on Latin America sponsored by the Inter-American Development Bank as part of its 25th anniversary celebrations.

The conference will group as speakers more than 20 top officials and bankers intimately involved in the debt problem, marking it out as a major event in the current debate on debt.

While it is expected to focus on many different aspects of the debt problem—Mr Felipe Jaramillo, chairman of the contracting parties to the General Agreement on Tariffs and Trade, is due to speak tomorrow—one issue that is sure to play an important part is the role of the IMF.

That is where Mr Duran and Mr Bracher come in, for Brazil appears just to have pulled off a spectacular coup by persuading its creditor banks to negotiate a rescheduling without the back-up of any formal IMF economic programme or even monitoring of its economy.

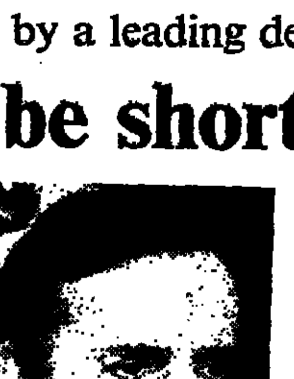
Doom-mongers would say this is the beginning of a slippery slope for the IMF which will see the influence of its hitherto powerful managing director, Mr Jacques de Larosiere, slither to that of a simple cypher-clerk in the debt rescheduling business. But is it? How far has Brazil really gone in discarding the IMF, and just what, if any, concessions have ben made by the banks?

These are questions which participants at the IADB conference will hope to see answered over the next couple of days. For one thing is certain about Brazil's latest debt escapades: it has been a war of words as much as a war over finance, and so adroit is the instinctively political Mr Funaro at speaking with two, or even three voices at the same time that the meaning of the words is still far from clear.

On the surface the decision of leading creditors to negotiate a seven-year rescheduling of $6bn in debt that fell due last year and to roll forward till March next year a further $8bn falling due in 1986 is a clean break with tradition as it will happen without an IMF back-up.

This is not, however, the end of the story. The whole structure of the proposed agreement suggests that it is a holding operation, designed to tide Brazil over the sensitive political months ahead of November's congressional elections before which no IMF agreement would be possible. After that the picture may look different, not least because Brazil will be reaching the stage where it may again need an injection of cash from its creditors.

There are two important reasons for assuming that the banks have not given up on the IMF idea at that stage. The first is that they have rejected Brazil's request to reschedule 1986 maturities over the medium-term as well as those of 1985, thus, in effect, penalising it for its lack of an IMF programme.



Mr Dilson Funaro

The second is the little-known fact that the banks only went as far as they did because Mr Funaro was persuaded to write to Mr de Larosiere, promising to report back on economic developments and implicitly recognising that Brazil may again have need of IMF support on the future.

At the very least this should keep Brazil in the running for any benefits that might eventually accrue under the so-called Baker plan for easing the debt problem. Bankers hope for much more—a formal relationship between Brazil and the IMF to underpin a multi-year debt rescheduling they now expect to negotiate next year.

That may be wishful thinking but one thing which has been achieved in the short term is that a confrontation with Brazil has been averted, allowing efforts to concentrate on the ever more serious difficulties of Mexico as oil prices slide and an IMF agreement there remains tantalisingly out of reach.

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# WORLD TRADE NEWS

## Reagan upholds imports ban on Dutch fibres

BY LAURA RAUN IN AMSTERDAM

PRESIDENT REAGAN of the US has upheld an import ban on a super-strong fibre made by Akzo, the Dutch chemicals and fibre group, in a move that could exacerbate strained trade relations between the EEC and the US.

Washington is concerned about the possible harm of the decision on overall trade relations and Dr Clayton Yeutter, the US Trade Representative, will visit The Hague on Thursday.

He will meet with Mr Ruud Lubbers, the Dutch Prime Minister and President of the EEC Council of Ministers, to try to defuse the Akzo fibre dispute and other heated trade issues, such as steel and agricultural produce.

Akzo said yesterday that it would appeal to the US federal court against a November 25 ruling by the US International Trade Commission (ITC) that Akzo's aramid fibre could not be imported into the US for five years because it infringed upon a patent held by Du Pont, the US chemicals group.

"Akzo remains prepared to arrive at a settlement in the patent conflict with Du Pont, but holds the view that the decision of the ITC does not contribute to a solution, because it should be regarded as an illicit trade practice," the company said.

Akzo also claims that Du Pont, which makes a competing fibre called Kevlar, infringes upon an Akzo patent for the aramid process. The two companies have been waging legal battles over their respective patents for a decade.

Last month Mr Lubbers wrote to Mr Reagan arguing that the ITC ruling was unfair. He reiterated Akzo's contention that the ITC decision ignored Akzo's counterclaim of Du Pont infringement.

Aramid fibres are light weight, heat resistant and five times stronger than steel. They have applications in bullet proof vests, aircraft parts and high-performance tyres. The potential worldwide market has been estimated at $3bn a year.

Akzo, whose Enka subsidiary recently began to produce its Twaron fibre, has committed about Fl 1bn (£750m) to research, development and start-up of the fibre.

## Miti backs curbs on car exports to US

By Jurek Martin in Tokyo

THE CLEAREST indication yet that Japan probably will extend its voluntary curbs on car exports to the US for another year has been given by Mr Michio Watanabe, the new Japanese Minister for International Trade and Industry.

Mr Watanabe said at the weekend that although the Government had yet to make a decision he would propose an extension of restraint.

He forecast that, without it, Japanese car shipments to the US would probably rise by about 500,000 vehicles in the fiscal year beginning in April. The current ceiling, which expires in March, limits exports to 2.3m cars.

This increase would be worth about $5bn (£3.54bn) in sales to the US. This Mr Watanabe said, would not be permissible given that attempts were being made to reduce Japan's $50m bilateral trade surplus with the US.

Unlike Mr Keijiro Murata, his predecessor at Miti, Mr Watanabe is a genuine power in the government. He is a former Finance Minister and a leading member of the political faction headed by Mr Yasuhiro Nakasone, the Prime Minister.

The preparatory committee has until July to produce an agenda. **William Dullforce** reports

## Gatt members begin to sort out priorities

THE COMMITTEE preparing the negotiations on which the future of the international trading system hinges starts work in Geneva today. It has until mid-July to produce an agreed agenda from the conflicting priorities of the 90 countries subscribing to the General Agreement on Tariffs and Trade (Gatt). It must also draft a declaration for trade ministers scheduled to launch the new round of talks in September.

The launching was "certainly not assured," Dr Clayton Yeutter, the US Trade Representative, said earlier this month after a meeting in San Diego of top trade officials from the US, the European Economic Community, Japan and Canada.

In Geneva the feeling is that the momentum towards a new round is irreversible. The problem for the preparatory committee is to ensure the participation of enough countries, including the leading developing countries, to keep alive hopes that the round will revitalise Gatt and resume the liberalisation of world trade.

The climate in which the committee convenes has changed since last year when the US was frog-marching Gatt towards negotiations against the resistance of developing countries, notably Brazil and India, opposed to trade in services being included.

The services issue has been temporarily defused by having it discussed separately in a committee headed by Mr Felipe Jaramillo, the Gatt chairman. The need to concentrate on an agenda has focused attention on practicalities and more traditional Gatt issues. Morevover, some countries, including Britain, appear to have been reformulating their priorities.

Developing country interests which the committee must now tackle include their demand for a standstill — a commitment by all participatinng countries before the start of a new round to introduce no more protectionist measures.

The committee and the industrialised countries also have to satisfy the Third World on how the new round will handle its demand for a rollback (the revoking of measures taken in contravention of Gatt rules) and for early consideration of the trade preferences they have been promised but often not received.

Arguments over priorities include Gatt's safeguard provisions, which allow a country temporarily to protect its industries against a surge of imports. Other issues are the national subsidies which distort free trade and restrictions, such as the voluntary restraint agreements on Japanese exports negotiated by the US and the EEC.

**_In Geneva, the feeling is that the momentum towards a new round is irreversible. The problem for the preparatory committee is to ensure the participation of enough countries to keep alive hopes that the round will revitalise Gatt._**

Thirty items have been proposed for inclusion on the agenda of the new round. Some can probably be assigned to Gatt's regular committees but initially the heads of mission forming the preparatory committee will have to consider them all.

The provisional schedule proposed by Mr Arthur Dunkel, Gatt's director general and chairman of the preparatory committee, allows for two two-day meetings, a three-day session and a four-day session by the end of March. From then on the tempo may have to quicken.

The committee will have to make an early decision on the venue for the trade ministers' meeting in September. There is a widespread feeling among delegations in Geneva that it would be good politics to hold it in a developing country. Uruguay has been strongly promoted but Brussels and Montreal have also staked claims.

The first tussle could come over the standstill commitment. It is accepted that negotiations to liberalise trade would be pointless if participating countries could introduce new protective measures while talks were going on. But some way of monitoring compliance with the standstill has to be put in place: who shall play monitor?

The negotiations going on simultaneously on the Multi-fibre Arrangement (MFA) in the Gatt textiles committee could trouble the preparatory committee. The MFA which governs the bulk of world trade in textiles and clothing expires in July.

It will almost certainly be renewed, although it has become the bane of convinced free traders, but the terms of the renewal can affect developing countries' attitudes to the new round of trade talks and their comportment in the preparatory committee.

US handling of the MFA talks will be crucial. If Washington considers that after President Reagan's veto of the Jenkins Bill it needs to throw Congress and US clothing manufacturers a sop by insisting on lower import quotas under the MRA, some developing countries will question the sincerity of the US desire to negotiate freer trade. The EEC position on the MFA appears to be more flexible.

A potential landmine in the preparatory committee's path is trade in agracultural products. So far the subject has not even ben brooached in the infromal discussions among delegations, although with the US and the EEC squaring up as the principal contestants it is probably the toughest issue that the round will have to tackle.

If agriculture is not handled properly, it could prevent progress being made in other trade areas, as it did in the Kennedy and Tokyo rounds. The preparatory committee might hope for a compromise on how to approach agriculture based on recommendattions put forward by a Gatt agricultural committee, but that would call first for an understanding between Washington and Brussels.

## Swatch lifts Swiss watch industry

By Our Geneva Correspondent

THE SWISS watch industry confirmed its comeback against the Japanese on the world market last year, boosting the value of its exports by 12.2 per cent to SFr 4.3bn (£1.46bn), according to provisional estimates from the Federation of the Swiss Watch Industry.

The comeback has been spearheaded by the Swatch, the plastic wristwatch produced in a large variety of colours and designs, of which more than 10m have been sold in the past two years.

The successful marketing of the SFr 50 Swatch, particularly in the US, accounts largely for the 41 per cent increase to 25.1m in the number of finished watches exported from Switzerland last year.

If the Swatch has restored Switzerland's reputation among dealers and the broader public, the high-quality luxury watchmakers continue to furnish the solid core of export earnings. They made only 2.1 per cent of the number of watches exported last year but brought home 41.8 per cent of the earnings.

The US remained the principal market for Swiss watches, taking products valued at SFr 790m or 20 per cent more than in 1984.

## McDonnell wins $2bn contract

By Michael Donne, Aerospace Correspondent

DELTA AIR LINES of the US has placed an order worth about $2bn (£1.4bn) for 80 McDonnell Douglas MD8 series jet airliners, powered by Pratt and Whitney jet engines.

The MD-88 model ordered by Delta seats up to 142 passengers, and will be used by the airline on its internal routes. Deliveries begin in January 1987 and will continue until 1992.

The Delta deal follows other big orders by US airlines for either the MD-80 or the Boeing 737-300 twin-jet airliners, rather than the European Airbus A-320.

It indicates that Delta, like other US airlines, prefers to wait until the early 1990s before buying a new 150-seater aircraft, when the projected Boeing 7J7 will become available with prop-fan engines.

Mr David C. Garrett, Delta's chairman, said that the airline continued to watch the progress of prop-fan development closely, and that if that revolutionary power-plant eventually proved effective, Delta could use it to re-engine the MD-88s.

This meant that the MD-88s could eventually become the so-called "Delta 3," the aircraft "which many of us have been seeking for a number of years," said Mr Garrett.

● Trade officials of leading industrial nations have agreed on standardising the terms for granting soft loans for export sales of helicopters and small commercial aircraft to developing countries, the Organisation for Economic Co-operation and Development said, Reuter reports from Paris.

The agreement, between all the 24 OECD member countries except Iceland, is due to take effect from March 10 following formal approval by governments. The agreement would ban countries from using mixed credit packages which tie a foreign aid component to finance aircraft sales.

## China set to clinch US electronics deal

THE US is expected to announce next month an agreement to sell China electronic and radar equipment for a high-altitude interceptor fighter, Reuter reports from Washington.

The State Department said the deal, which is reported to be worth $500m (£354m) could be the largest US military sale to China.

SHIPPING REPORT

## Sharp fall in oil prices unsettles tanker market

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE SHARP drop in oil prices unsettled the tanker market last week. Business out of the Gulf was at a minimum and rates weakened.

VLCCs and ULCCs (very large and ultra large crude carriers) are again in surplus on the market. Until price and market stability returns, said E. A. Gibson Shipbrokers, "buyers will remain aloof and there will be reduced demand for tonnage."

One VLCC was reported to have been fixed to Japan at Worldscale 33, down on rates of late last year. More business

While demolition sales, centred on the Taiwanese shipbreakers, have picked up, fewer big tankers were sent to the scrapyards. But Galbraith's said negotiations were taking place for the disposal for scrap of a 10-year-old 400,000 deadweight ton ULCC, currently in Rotterdam, for some $6m (£4.2m).

In dry cargo markets, rates again drifted. Denholm Coates said the grain rate from the was concluded out of Indonesia, however, and buyers were tempted into the North Sea market by reduced prices. US Gulf to Continental Europe slipped from $8 a ton to $7-7.30, with the US North Pacific-Japan rate easing by 25 cents to $8.75 a ton.

Galbraith's said time-charter business was sparse in the Atlantic.

## World Economic Indicators

(1980=100)

| | | | | | % change over previous year |
|---|---|---|---|---|---|
| US | Dec. '85 116.0 | Nov. '85 115.2 | Oct. '85 114.7 | Dec. '84 113.5 | +2.2 |
| UK | Nov. '85 110.7 | Oct. '85 109.4 | Sept. '85 109.4 | Nov. '84 103.3 | +7.2 |
| | Oct. '85 | Sept. '85 | Aug. '85 | Oct. '84 | |
| Japan | 122.6 | 121.4 | 122.8 | 120.8 | +1.5 |
| W. Germany | 107.4 | 104.8 | 103.2 | 103.4 | +3.9 |
| France | 98.2 | 101.2 | 102.3 | 103.0 | −4.7 |
| Italy | 95.5 | 98.4 | 97.6 | 96.6 | −1.1 |
| Netherlands | Sept. '85 102.5 | Aug. '85 103.8 | July '85 101.7 | Sept. '84 103.8 | −1.3 |

Source (except UK, US, Japan): Eurostat

# Questions the Prime Minister needs to answer

**Peter Riddell sums up the state of the Westland affair on the day of the Commons emergency debate**

MRS MARGARET THATCHER will be fighting for her political life in the Commons this afternoon, attempting to remove doubts about the integrity of her Government and about her survival as Prime Minister.

For all the instinctive rallying of Conservative back-bench MPs behind their leader during the weekend, the outcome will depend on whether she can answer the many questions about the partial leaking of the letter from Sir Patrick Mayhew, the Solicitor General, to Mr Michael Heseltine, then the Defence Secretary—that she left unresolved in the Commons on Thursday. Many Tory MPs, let alone Opposition members, felt that Mrs Thatcher's carefully worded statement and response disguised contradictions and confusions.

Parts of the letter, which questioned an aspect of an earlier intervention by Mr Heseltine in the affair of the Westland helicopter company, were leaked to the Press Association by a civil servant at the Trade and Industry Department, in conjunction with officials at 10 Downing Street.

As with much else in the affair, the row has brought into the open all the resentments and doubts about Mrs Thatcher's style of leadership which have built up during the past 6½ years since she became Prime Minister.

Critics allege that Mrs Thatcher, her staff and Mr Leon Brittan, then the Trade and Industry Secretary, conspired to discredit Mr Heseltine and disclaimed knowledge of what had happened for more than a fortnight. Mrs Thatcher's explanation is that, because of Mr Heseltine's repeated flouting of Cabinet collective responsibility, the Government had a duty to make Sir Patrick's letter known to Westland shareholders, even though, because of urgency, the method used was unusual.

The start was at the turn of the year, when Mrs Thatcher, Mr Brittan and Mr Heseltine were involved in a heated wrangle over the drafting of a letter by her to Sir John Cuckney, the Westland chairman, setting out the Government's view of its future helicopter needs. This led to the involvement of Sir Patrick and the publication of Mrs Thatcher's largely non-committal letter on January 2.

Next day, January 3, Mr Heseltine sent a letter to the European consortium of companies, whose proposal to rescue Westland from its financial troubles he has been backing. He sought to "clarify" the Prime Minister's letter, but obviously intended to help the European consortium by focusing on the European business that Westland might lose if it were to accept the rival proposal by Sikorsky of the US and Fiat of Italy, which Westland's board preferred.

Mrs Thatcher said last Thursday that Mr Heseltine's letter had not been "cleared or even discussed with the relevant Cabinet colleagues," nor was the Solicitor-General involved.

Mr Heseltine argues that his intervention was necessary because of Mrs Thatcher's refusal to allow discussion of the issue by a ministerial committee on December 13, and because of the one-sided approach taken by Mr Brittan, in collusion with Sir John.

During the next two days—a weekend—Mr Brittan has admitted he contacted Sir Patrick to discuss Mr Heseltine's letter. Late on the Saturday evening, Sir Patrick rang Mr Heseltine at his home in Oxfordshire to tell him of his concern about some points in the Friday letter, and of his intention to write formally on the following Monday.

The story then enters murkier territory. Given Mr Brittan's admission that he consulted Sir Patrick that weekend, who suggested the writing of a letter to Mr Heseltine? The Westland affair also appears to have been discussed by the Prime Minister and advisers at Chequers that Sunday.

A big question about the existing official version is raised by the fact that Sir John Cuckney—knew possibly on Saturday and definitely on Sunday, "hours before Sir Patrick's letter was sent—that the Solicitor General had reservations about Mr Heseltine's letter of the previous Friday. Indeed, the Westland camp was seeking, on the Sunday afternoon, to make this point known so as to discredit Mr Heseltine.

This raises the key issue of how Sir John learnt of Sir Patrick's doubts? Was he told of them by Mr Brittan or anyone on the Downing Street staff? In short, was the Solicitor General's letter brought in by Mr Brittan, and Mrs Thatcher and her staff, to undermine Mr Heseltine? Was there a discussion that weekend about the disclosure of Sir Patrick's letter.

On Monday January 6, Sir Patrick wrote to Mr Heseltine. The Solicitor-General wondered whether the evidence then available to him supported the implication in Mr Heseltine's letter that all the other relevant governments and companies in western Europe had indicated that a Westland link with Sikorsky and Fiat would be incompatible with participation by the company in collaborative European projects.

Sir Patrick said such a reference contained material inaccuracies and should therefore be corrected. Within hours of the letter having been sent, the section referring to inaccuracies was disclosed by a Trade and Industry Department official to the Press Association.

Mrs Thatcher argued in her Commons statement on Thursday that it was a matter of duty that the possibility of inaccuracies should be disclosed to shareholders, and that "it was urgent that it should become public knowledge before 4 pm that afternoon, January 6, when Sir John Cuckney was due to hold a press conference to announce the Westland board's recommendation to shareholders on a revised proposal from Sikorsky and Fiat."

The need for this urgency, on which so much else rests, is not obvious. Sir John had already announced, late on the previous evening, the Westland board's decision and the press conference was merely to provide formal confirmation. Moreover, the meeting of Westland shareholders was not then due until eight days later.

Mrs Thatcher said last Thursday that the company like the Press Association, had been informed of "material elements" of what Sir Patrick wrote. But the company has said it learned of the letter not from the Government but from the PA report, even though it is clear that Sir John knew about the gist of the letter the previous day.

The Prime Minister said, "in the circumstances it was not possible to proceed by way of an agreed statement." However, Sir Patrick, according to Mr Heseltine, was not aware of the full facts on the attitude of the other European governments.

Mr Heseltine then wrote back to Sir Patrick, later on the Monday, to tell ... It has now emerged that Sir Patrick replied, broadly accepting that the matter had been cleared up. Accordingly, Mr Heseltine complains that every word of his original Friday letter to the European consortium stands uncorrected.

Mr Heseltine, therefore, wants to publish his response to the Solicitor-General, and might raise it when he gives evidence next week to the Commons Defence Committee.

> "She must tell the full story this afternoon if she is to begin to restore her political authority"

There is, then, the central question of who authorised the disclosure of the first of Sir Patrick's letters. According to Mrs Thatcher, the letter was brought to Mr Brittan's attention at 1.30pm on January 6. He decided it should be "brought into the public domain as soon as possible. He asked his officials to discuss with my office whether the disclosure should be made and, if so, whether it should be made from 10 Downing Street, as he said he would prefer. He made clear that, subject to the agreement of my office, he was giving authority for the disclosure to be made from the DTI, if it was not made from 10 Downing Street."

Mrs Thatcher told MPs that her office was accordingly approached, did not seek her agreement, but considered—rightly—that she would agree.

All this raises various questions. Why was the Prime Minister not consulted? She was at a meeting in Downing Street at the time and had known, on the previous day of the Solicitor General's views. Who suggested the disclosure? Was it—as some of Mr Brittan's friends have suggested—staff at 10 Downing Street?

There were apparently parallel, but separate, conversations on January 6 between Mr John Mogg, Mr Brittan's private secretary, and Mr Charles Powell, one of Mrs Thatcher's private secretaries, and between Miss Colette Bowe Mr Brittan's head of information, and Mr Bernard Ingham, the Prime Minister's chief press secretary. Who took the initiative in these talks? Why did the Prime Minister's staff feel able to authorise the disclosure, or did they know she would approve? In short, who gave the order to Miss Bowe to make the disclosure?

Moreover, there is the manner of the disclosure. Mrs Thatcher said last Thursday that Mr Brittan had expressed no view on its form. She added that if she had been consulted, "I would have said that a different way must be found of making the relevant facts known."

The partial disclosure of only one aspect of the letter was presented by the Press Association as damaging to Mr Heseltine. Why was it impossible to release the whole letter? Why was the Solicitor General not asked for his approval?

The other main questions concern the nature of the inquiry by Sir Robert Armstrong, the Cabinet Secretary — into the leak. This was not announced until after the Commons had returned the following week from the Christmas recess.

There have been rumours at Westminster that the inquiry was established in response to the anger of Sir Patrick and Sir Michael Havers, the Attorney General. Both are known to have been furious about the treatment of the advice — normally regarded as wholly confidential — of a law officer. Sir Patrick is believed to have considered resignation.

Why was it necessary to hold such an inquiry when Mr Brittan and two of the Prime Minister's closest advisers knew exactly what had happened? Did she ask them after the row had erupted over the leak following January 6.

Mrs Thatcher told MPs last Thursday that the inquiry was needed to find the full facts, because they were not known to her. She said an enormous number of the facts was not known to her until January 22, when the Cabinet Secretary reported. Which of these facts were new to her? Does this mean that the Prime Minister did not know at all that her own office and Mr Brittan had been involved in the leak, which had been authorised in her name, until more than a fortnight later?

These points all come down to the question, asked repeatedly about President Richard Nixon during the US Senate inquiries into the Watergate affair 13 years ago: "What did the president know, and when did he know it?"

Even the official version raises questions about not only the relationship between colleagues within a Government but also about the political discretion given to civil servants. Mr Brittan's camp has complained about the behaviour of Mr Ingham, one of Mrs Thatcher's longest-serving advisers, because, it is said, he took an active role in the decision on how the letter should be leaked and had been active earlier in the affair.

It was clear from television interviews by ministers yesterday that Mrs Thatcher's Cabinet colleagues recognise that she gave an incomplete version last Thursday—partly because of a heated argument with Mr Brittan during the previous 24 hours. Moreover, they believe that she must tell the full story this afternoon—as she appeared to concede yesterday—if she is to end the controversy and begin to restore her political authority.

Margaret Thatcher: resentments about her style of leadership are out in the open

## Owen attack over lack of frankness

DR DAVID OWEN, the SDP leader, accused Mrs Margaret Thatcher yesterday of covering up the truth over the Westland leak and said it was "extremely doubtful" that she would be frank in the Commons today.

He had asked the Prime Minister in Parliament last week to say when she knew how the letter was leaked, but she had refused to answer.

Dr Owen told BBC Television's This Week Next Week programme: "No sooner had the House finished questioning her than the Number 10 Press Office said she had not known the full facts until the day before, when she received the leak inquiry report from Cabinet Secretary Sir Robert Armstrong."

In the Commons Mrs Thatcher had "constructed a carefully-worded and guarded answer—she is herself a lawyer, but in fact, behind it, is a blacker lie," said Dr Owen.

"The full truth has to come out. I think, if she tells the truth, it will mean saying things in a very different way from the way she said them on Thursday. Quite frankly, Thursday was a cover-up."

If she went on "not telling the truth" it was possible that the Tory Party would "drag her out." He added: "The Prime Minister's position is now very vulnerable."

Mr Roy Hattersley, deputy Labour leader, said on This Week, Next Week: "The fundamental issue, the question of honour, the question of her integrity, is not in the minutiae but in when she knew the fundamental facts" that a letter had been leaked with the knowledge of her own Office.

Mr Norman Fowler, Health Secretary, said on the same programme that the people of Britain were more worried about "fundamental issues" like the economy and unemployment.

Mr Hattersley retorted: "If Norman Fowler feels this can be brushed aside, he misunderstands the national mood, because it is to demand to know if the Prime Minister is telling the truth." He said Mrs Thatcher would not resign over the crisis, but "she is mortally damaged and will remain damaged to the next election."

Tory backbenchers on the programme broadly backed Mrs Thatcher, but their anxieties were summed up by Jerry Wiggin, who said he had "doubts" about the situation, although again it was not a resigning matter for Mrs Thatcher.

Mr John Smith, the Shadow Trade Secretary, said the Prime Minister's integrity and competence were at issue in today's emergency debate.

**Peter Riddell looks at the implications of the appointment of a 'wet' to succeed Leon Brittan**

# Ministerial choice highlights change in balance of the Cabinet

APPOINTMENT of Mr Paul Channon as Secretary for Trade and Industry, is much more significant than it seems at first sight. For it is a sign of Mrs Thatcher's current problems, in contrast with her previous strength.

Until now, Mrs Thatcher has insisted on having in that central position one of her close supporters and an advocate of her approach to economic and industrial problems — such as Sir Keith Joseph, Mr Patrick Jenkin, Mr Cecil Parkinson, Mr Norman Tebbit and Mr Leon Brittan.

Mr Channon is not in that mould.

Norman Fowler: a contender for the post

Friday evening and Saturday morning, several of Mrs Thatcher's supporters were urging her to appoint either Mr Nicholas Ridley, the Transport Secretary, or Mr Norman Fowler, the Social Services Secretary.

But the key advice came from Mr John Wakeham, Tory Chief Whip, and Lord Whitelaw, the leader of the Lords. They urged the appointment of Mr Channon as a non-controversial and steadying choice.

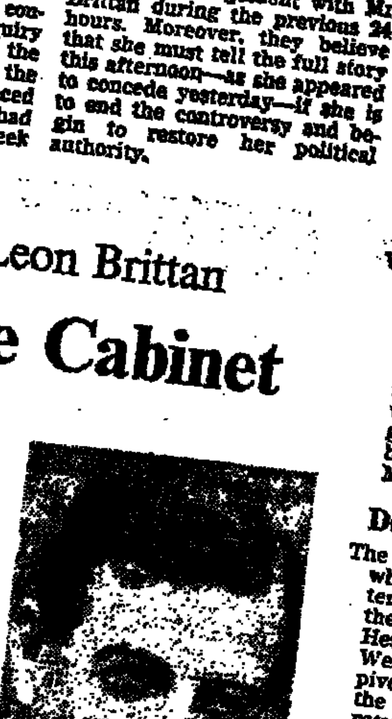
Mrs Thatcher's acceptance of the whips' office view highlights a change in the balance of the whips' office view high-year.

While Mr Nigel Lawson remains Chancellor and Mr Norman Tebbit (in hospital for the last fortnight) has a crucial role as Conservative Party chairman, many key positions are now held by people who are not Mrs Thatcher's natural allies. They have independent positions, like Mr Douglas Hurd, the Home Secretary, and fastest rising star of the Cabinet, or Mr Kenneth Baker, the Environment Secretary, and Mr Kenneth Clarke, the Paymaster-General, who arrived last September. The same applies to both the latest entrants, Mr Malcolm Rifkind at the Scottish Office and Mr Channon.

An interesting test will be whether these ministers try to challenge the Treasury's tight control and attempt to influence the shape of the Budget.

This group of ministers may now try to assert their independence and seek greater collective decision-making rather than discussions in small ad hoc groups controlled by Mrs Thatcher as now occurs.

For instance, on yesterday's Weekend World programme on London Weekend Television, Mr Hurd gave a clear indication of his view when he said: "I think it is very important that people should see that we are under Cabinet government."



John Wakeham: lobbied for Paul Channon

# Official leak that put secrets legislation back on the reform agenda

FOR THE second time in the Westland affair the existence of a confidential letter has politically ensnared the Trade and Industry Secretary. But on the second occasion the information in the letter emanated from an official source, and thus brought the much-derided Section 2 of the Official Secrets Act back on to the law reform agenda.

The letter of January 8 from Sir Austin Pearce, chairman of British Aerospace, to the Prime Minister, invited non-disclosure. This confidence was respected and waived only when the author was consulted and consented to its public dissemination. The letter of January 6 written by the Solicitor General to the Defence Secretary, pointing to "material inaccuracies" in Mr Heseltine's advocacy on behalf of the European consortium seeking to gain acceptance of its rescue package for Westland, likewise bore the brand of confidentiality.

While no doubt propriety among ministers called for the Solicitor General's permission to lift the veil of confidentiality (which was never sought) the Prime Minister would have been legally entitled herself to waive confidentiality.

The letter's position under the official secrets legislation is, however, a different issue. What was the status of the official information that was being unveiled? Did the letter cease thereby to be caught by the criminal law relating to official secrets?

Governments and government departments regularly disgorge official information — the so-called authorised leak. Such a leak does not contravene Section 2 of the Official Secrets Act. A Crown servant who discloses official information commits an offence only if it is disclosed to someone "other than a person to whom he is authorised to communicate it."

The Act does not deign to tell the Crown servant what those words mean. Contrary to popular belief, the words do not import any formal process of express authorisation. The modern practice rests on the notion of an implied authorisation, stemming from the nature of the Crown servant's duties.

The official version of the law is that the communication of official information is perfectly proper if disclosure can fairly be regarded as being incidental to the Crown servant's duties.

Senior civil servants exercise a considerable degree of personal judgment in deciding what disclosures they may properly make, and to whom. They can readily gauge the propriety of any disclosure in respect of information from within their own department.

Communications between government departments would ordinarily require ministerial sanction before they could be properly disclosed. Mr Brittan, then Trade and Industry Secretary, provided that sanction so as to make the disclosure by his department's director of information an authorised one. There could be no question of any prosecution of that civil servant. But the law's application to the Solicitor-General's leake dletter does not end at the Trade and Industry Department.

Leon Brittan: sanctioned the disclosure of the Solicitor General's letter

Section 2 catches all Crown servants in throwing the blanket of secrecy over the minutiae of oral and written information of an official kind. Every minister of the Crown, every civil servant, every member of the armed forces, every judge and other public officers perform their respective duties under the umbrella of Section 2.

By virtue of their ministerial office, departmental ministers are ordinarily self-authorising. But self-authorisation operates exclusively in respect of their own departmental information. Disclosure of inter-departmental communication could be authorised by the Prime Minister, or possibly by both departmental ministers together.

Without the Solicitor General's authority, the Prime Minister alone could authorise the disclosure of the letter of January 6. Mr Brittan obviously appreciated that legal fact when he sought such authority from No 10 for the letter to be disclosed to the Press Association.

Did the Prime Minister expressly authorise the disclosure of the letter of January 6 on that day? Since the letter had not come from No 10, the civil servants at No 10 could not rely upon any implied authorisation. They needed strictly to get the sanction of the Prime Minister for the disclosure of the letter or even parts of it. From the point of view of official secrets, if for no other reason, the question has to be asked: Did the Prime Minister give such authority?

In the absence of prime ministerial authorisation, Mr Brittan himself and the civil servants at No 10 would have rendered themselves susceptible to prosecution. The fact that they thought that authority either had been forthcoming (whether or not it was) or that it was subsequently given retrospectively could not excuse them from liability.

The obscurity of the law relating to authorised leaks adds further point to the growing campaign to rid the statute book of the—to many people—ludicrously wide application of the English criminal law relating to official information. The Franks Committee in 1972 recommended the abolition of Section 2, to be replaced by a statute called the Official Information Act.

The new legislation would cover information in the areas of defence and internal security; foreign relations; currency and reserves; cabinet proceedings; maintenance of law and order; information given by the citizen; and information used for gain.

In the first three areas only disclosure of those matters covered by the classification *secret* and *defence—confidential* would involve an offence, and at the time of prosecution the classification would be re-examined to see if it still properly pertained.

Had successive governments since 1972 acted on the Franks committee's compelling report, the Solicitor General's letter would not have been potentially within the ambit of an official secrets law. If the Government finds itself caught, if only technically, by the operation of Section 2, it has only itself to blame.

The aura of confidentiality which has permeated the two communications over the Westland affair has been the undoing of one member of the Government. Perhaps the experience will now prompt some further thoughts about the repealing or at least revision of Section 2.

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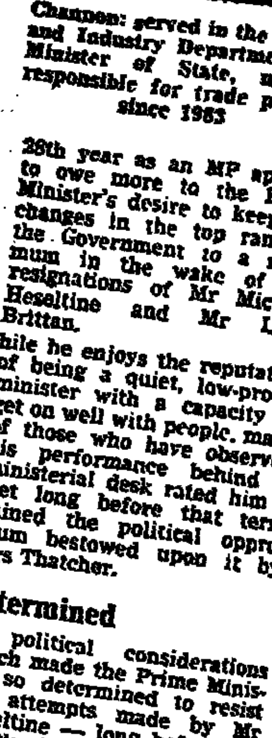


Channon: served in the ... and Industry Departm... Minister of State, ... responsible for trade p... since 1983

28th year as an MP ap... to owe more to the ... Minister's desire to keep ... changes in the top ran... the Government to a ... mum in the wake of ... resignations of Mr Mic... Heseltine and Mr L... Brittan.

While he enjoys the reputat... of being a quiet, low-pro... minister with a capacity ... get on well with people, ma... of those who have observ... his performance behind ... ministerial desk rated him ... wet long before that ter... gained the political oppro... bium bestowed upon it by Mrs Thatcher.

### Determined

The political considerations which made the Prime Minister so determined to resist the attempts made by Mr Heseltine — long before the Westland affair — to gain the pivotal position enjoyed by the Trade and Industry Secretary in determining economic policy did not weigh heavily on her mind when she agreed that Mr Channon should become Mr Brittan's successor.

The new Trade and Industry Secretary has served in the Department as Minister of State, primarily responsible for trade policy, since Mrs Thatcher formed her second administration after the 1983 General Election.

The number one post has eluded him on two previous occasions — once when Mr Norman Tebbit succeeded Mr Cecil Parkinson and, perhaps more significantly, when, despite having held the reins when Mr Tebbit was recovering from the injuries he sustained in the Brighton bombing, Mr Brittan was demoted from the Home Office last September.

### Practical

Regional policy, where Mr Brittan was already trying to give practical effect to his recognition of the need to reduce the imbalance between the prosperous areas of the country and those hardest hit by unemployment, is an area in which Mr Channon will have an early opportunity to register a distinctive personal imprint.

He will also bring to the Cabinet the benefit of the experience he has gained as Minister of State in applying the strategy designed to ensure that the more liberal successor to the Multi-Fibre Arrangement due to end in July—being negotiated by the EEC Commission—does not overstep the mark at which it will be possible to contain the protectionist forces already at work on the Government backbenches.

In earlier periods of office as Minister of State, Mr Channon has been responsible for the Arts, the Civil Service, Housing and Northern Ireland. When he began his eight-month spell in Stormont in March 1972 he was assured by Mr Julian Amery, one of his political mentors, that he had no cause for concern because "the Irish will never shoot a Guinness."

**John Lloyd and Helen Hague trace how the News International group defied striking print unions to publish two of its titles**

# Murdoch wins first round in the battle over Wapping

"THIS COULD not be just another Fleet Street strike where we don't get the papers out and the print unions win in days. We had to win," said Mr Andrew Neil, editor of the Sunday Times yesterday.

So far, Mr Rupert Murdoch's News International group has won. As the 36-ton trucks roared down the sweeping curved ramp coming out of the NI Wapping plant in the east end of London under the arc lights on Saturday night and Sunday morning, through the double steel gates and the barbed wire, past the six freezing and progressively demoralised Sogat '82 pickets, up the narrow side roads into Commercial Way past 200 more pickets penned up there away from the main plant, out past the Tower and away, so the print unions knew that the tactic of mass picketing would not and could not work. Indeed, it had not even been tried.

Mr Murdoch has won so far because he had prepared with a precision and efficiency absent from most Fleet Street managements in the past. He has done so coldly and cynically, secretly and deviously, anticipating successfully the moves of the other actors in the drama. This weekend, Fleet Street changed — not by attrition, not by marginal shifts, certainly not by negotiation — but by fiat.

Mr Eddy Shah, whose new paper, Today, is scheduled to appear in March, is a key figure. He and Mr Neil had discussed the new paper early in 1984: Mr Neil was among a number of advisers who steered Mr Shah in the direction of the electricians' union, the EETPU, headed by Mr Eric Hammond, to get a no-strike deal for his new plants. Mr Shah, approached by the EETPU through Mr John Grant, its communications director, and Lord Harris, like Mr Grant, a prominent member of the SDP, began talks and ultimately reached agreement in the middle of last year.

Mr Murdoch came to London in February, 1985, depressed over the future of the Wapping plant he was having built for his projected London evening paper, the London Post. Talking over its future with his senior executives, Mr Murdoch heard from Mr Neil a plan to designate Wapping a greenfield site, which would render it open to any agreement with any union: and then to follow Mr Shah's example in negotiating with the electricians.

It appears that the electricians' card was, from the beginning, two-sided: on the one, negotiations with the EETPU strengthened NI's hand in negotiations with the big print unions (which were getting nowhere); on the other the electricians were also seen as a fallback, a labour force which could substitute for the printers if need be.

Had the print unions agreed to Mr Murdoch's tough terms — a legally binding, no-strike agreement—NI's papers would have continued to be produced at their previous central London sites of Bouverie Street and Gray's Inn Road on the fringes of Fleet Street, with a much reduced staff: the Wapping site would have been used for the new Post and for extra sections of the Sunday Times—though probably Mr Murdoch would not have allowed the print unions into Wapping once the electricians hired to work the plant proved they could be trained to use the machines.

It is a matter of judgment how far the negotiations over the past weeks genuinely failed, or were assumed by Mr Murdoch to be bound to fail so that his audacious strategy of moving to Wapping with all four titles could be tested. But once they failed, and once the unions declared a strike from last Friday, the plans went into immediate operation.

The journalists were important, though probably not crucial. Over the past week, it had become increasingly clear to News International journalists that they would soon be called on to make a choice: would they work with Wapping or not? Last Tuesday, the National Union of Journalists' emergency committee called on its NI members to work normally but not to go to Wapping; the four NUJ chapels (office branches) endorsed the line.

On Friday night, the Sun journalists called an emergency meeting, to be addressed by Mr Kelvin MacKenzie, the Sun's tough and irrepressible editor. Mr MacKenzie, who often salts his commands to reporters with a liberal dose of profanity, turned on the charm, telling the 100 or so journalists that they were essential to the Sun's future: less emolliently, he told them that if they did not move to Wapping forthwith, they would be sacked. "For Christ's sake, take it with both hands," he said. After three adjournments, during which time he told them he would talk to Mr Murdoch, he produced a package which gave them each an extra £2,000 a year, together with membership of a private health care scheme to come. They voted by 101:8 to accept.

Harry Conroy — journalists warned

They were told to gather the next morning—Saturday—at the Tower Hotel at 10.00 am or 2.00 pm to be bussed the few hundred yards to the Wapping plant: some of the senior journalists stayed in the Tower overnight. At 10, a coachload set off: the driver, unfamiliar with the geography of east London, took them to East India Dock more than 1 mile further east before being directed back, amid much semi-hysterical hilarity, to the plant.

For most, it was the first time they had been in the heavily fortified compound: they drove through the double gates, and were checked out to a registration point, where each was photographed, then issued with a colour-coded plastic card with their photograph on it. Each was described on the card as "consultant." They were then told to go to the canteen for a free snack and then to report to the editorial suite on the sixth floor.

The first journalists to reach the newsroom were astounded. The entire floor had been laid out as a fully electronic newsroom, with everything in place; a desk was ready for all of them with an Atex terminal on each; phones were in place; the switchboard had just been installed; and all around the floor were genial men and women, many of them American or Australian, who welcomed them to their new workplaces and told them to call on them for any help they would need. The day—which for all of them would normally have been a day off—was to be designated as a time to familiarise themselves with the new technology.

On the backbench, where the senior news and sub editors sit, was a number of faces they recognised: colleagues who had been seconded to set up the new Post, and others who had had what had come to be known as the "Wapping cough" — that is, who had formally gone sick over the past few weeks, but who had been secretly trained in the operation of the new newsroom.

Each reporter and sub editor was issued with a red, looseleaf book which took him or her simply and swiftly through the Atex system: the reporters learned that they need only key in their stories, then key in a code and press a button which released the copy to the sub editors. Once the sub had corrected the story and designated its space in the page, he or she coded it down to the make-up department, where it was printed out and pasted-up to be made into a photo-lithographic plate.

Copy coming in through wire services, or from reporters phoning stories in from outside came into the system in the same way. Everywhere were new faces, many of them women, who knew how the system worked and were keen to make it work in practice.

That same Saturday morning, the News of the World reporters had voted at their Bouverie Street offices, to go to Wapping by a margin of 43-2. Many joined their Sun colleagues later in the day. Up at Gray's Inn Road, where the Sunday Times and The Times offices are, the Sunday Times journalists were working normally—though to earlier deadlines. They were not then faced with the choice of going to Wapping. Instead, their copy was taken or tele-faxed down to the east London plant and made up there. Both Mr Neil and Mr Charles Wilson, The Times editor, joined Mr MacKenzie and News of the World editor Mr David Montgomery at Wapping later in the day to help out and learn.

The Sunday Times, an 88-page monster of a paper, had been printed in sections throughout Saturday, starting at 1 am by the evening, only the 24-page news section was left to catch the last possible news. The atmosphere, by all accounts, was slightly frenzied but comradely. The editors strode about the floor, encouraging the journalists. Mr Murdoch, wearing a pullover, was affable and accessible; the customary barrier between editorial and print areas barely existed.

Says Mr Neil: "It was the greatest pleasure to walk around my production floor without asking the permission of the father of the chapel (shop steward) to talk to people, to look at headlines and say, no, that's not right and tear it off myself, then paste down another one. A number of pages of the Sunday Times were pasted down by me." In Fleet Street terms, that is as good an index of a revolution as any.

**'This could not be just another Fleet Street strike' — Andrew Neil, Sunday Times editor**

The Times journalists were now facing the squeeze: by Saturday morning it had become clear to all that they were faced with following their colleagues on the Sun and the News of the World to Wapping, with all the possible unpleasantness that entailed. They met in chapel (office branch) session at 2.30 on Saturday afternoon at the Royal National Hotel in Bloomsbury. They had already been told by their management that if they did not go to Wapping they too—for all the cachet of being Times men and women — would be fired just as summarily as the most junior Sun sub-editor.

Naturally, they looked for a way out. They invited Mr Alexander Irvine, the distinguished labour lawyer, for an opinion on whether or not they could sue the company for issuing the ultimatum. After a three-hour recess, they reconvened in the evening to hear that Mr Irvine had told the chapel committee that they had no grounds for a suit, though they might be able to claim unfair dismissal once sacked — hardly an answer to their quandary.

Rupert Murdoch — acted "coldly and cynically"

On Friday night, The Times management put forward to chapel officers a supplementary agreement to the existing pay and conditions agreement with the journalists. It would be extended to March 1987, but the old clause on new technology would be replaced by a new one which committed the journalists to operating the Atex system at Wapping, this to be worked "without any reservation whatsoever." Like The Sun journalists, they too would receive a £2,000 a year pay rise and free medical insurance for themselves and their families.

During the meeting on Saturday Times executives 'phoned the hotel, offering to dilute the catchall "without reservation" clause. In addition, they said those who did not want to work new technology would not have to — but would not get free health care or the proposed pay rise.

The pressure on Times journalists was increased by warnings from the several NUJ officials and national executives present — who included Mr Harry Conroy, the general secretary, Mr Jake Ecclestone, the deputy general secretary, and others — that if they moved to Wapping they would be in breach of union instructions. Mr Ecclestone told the meeting: "This is the worst new technology agreement in the whole country."

The chapel committee, led by Mr Greg Neale, The Times chapel father, stuck loyally to the NUJ line. The committee put up a motion to reaffirm the "no move to Wapping" line, but to start negotiating on new technology at Gray's Inn Road. This was amended from the floor to read that there should be no move to Wapping, but for negotiations on new technology at the Wapping plant — an acceptance that the Wapping move would come. The amendment was lost by 57-58 — an indication that the chapel was exactly split on the inevitability of the move.

The meeting went on to midnight and grew more and more gloomy and confused. Mr Conroy told his members that if they moved to Wapping they were open to discipline under the NUJ rule 18. The quandary became clearer, especially for members of the paper's political, industrial and labour staffs. Would they, if they moved to Wapping lose their contacts in the labour and trade union movement? On the other hand, if they refused, would they lose their jobs forever?

Near midnight, a final vote was taken, and a motion passed which instructed people not to go to Wapping—though a previous motion had also been passed saying that they should go on the understanding that the existing new technology clause be accepted.

Back at the Wapping plant, the pickets gathered as evening fell. The police, there in some strength, kept the bulk of them—never more than 200 —in Commercial Way, above the plant, letting between six and 10 down to the gates.

As the big new trucks swept in empty, the pickets stepped forward and asked them to stop. Most did not: those drivers who did usually listened to the pleas—" Our jobs are on the line, mate: the people in there are taking our jobs; we're asking you as a trade unionist not to cross"— then went in without a word.

Around 7.00, one truck, backed up by two more in the narrow approach road, did stop and appear ready to turn back: but his colleagues behind their engines impatiently, and he turned to the pickets, shrugged, shut his window, the gates opened and he drove in.

There was no repetition of the miners' picket line scenes, though NI says that some nails were thrown. One Sogat official said to another: "We've got to get a fix on where all these lorries have come from and arrange for cars to follow them." The nearest pub, ironically named The Caxton, provided warmth for off-the-cuff strategy meetings. "We're not going to stop them by picketing," said a Times machine operator, "we've got to block supplies of ink and paper."

The printing had been delayed by technical hitches: one computer had gone down, and the complex Sunday Times proved too difficult for the raw labour. But they got it through and started printing by about 8·00: the first lorries came down the ramp and out by 9.15, not stopping at the pickets, up the approach road and out, to shouts of scab and worse. Mr Murdoch had got his papers out.

Yesterday was something of an anti-climax. The Sun journalists went in to their new plant to produce for real; Mr Neil gave interviews to say how elated he was it had worked; NI said that some 4m copies of the NoW had been printed (750,000 in the new plant in Glasgow), 2m down on normal; and 1.2m copies of the Sunday Times had been produced from Wapping (150,000 down from normal).

Some Times journalists, rostered for Sunday duties, appeared at the Wapping plant. They were shown to their own editorial offices, laid out ready in a listed warehouse which had once held rum across from the main building. NI said confidently that there would be a Times this morning.

The rest of the Times journalists went into session last night, still trying to work out what to do — but with the knowledge growing in the mind of each of them that the options were limited, and rough.



# Following the lead of cost-cutters

**Raymond Snoddy on the plans of other newspaper publishers**

FLEET STREET, for many years as much a synonym for a set of work practices and the legendary earnings they brought as a geographic description, may have come to an end yesterday.

Mr Eddy Shah with his plans for a new daily put the writing on the wall. Mr Robert Maxwell, publisher of the Mirror, quickly took his cue and negotiated the loss of 2,100 jobs in London and Manchester.

Now Mr Rupert Murdoch has vaulted over the past in a way that would have been unthinkable only weeks ago. If he succeeds in drastically cutting his costs, as he appears to have done, all other national newspaper publishers will be forced to follow to some extent.

According to some estimates, full operation from News International's Wapping, east London, plant, with only the number of production workers that plant needs, could cut the group's costs by up to 80 per cent.

That figure is almost certainly an exaggeration, for the cost of private distribution to newsagents is high. But one seasoned Fleet Street chief executive estimated yesterday that the move could save Mr Murdoch around £60m in a year.

If anything like that saving is achieved in practice enormous pressure will be placed on other proprietors to cut their costs too.

"Proprietors used to try to blot out their competitors by increasing their costs. Now they are trying to blot out the opposition by reducing their costs. Market forces have caught up with Fleet Street."

Later this week Mr Linacre will be presenting plans to unions at the Daily and Sunday Express and the Star for the elimination of 30 per cent of the more than 6,000 jobs at Express Newspapers. The management has been drawing the plans up since United bought the group at the end of last year. Now drastic cost cuts could become a matter of survival.

Eddy Shah's plans put writing on the wall

Unlike News International, United plans to stay in Fleet Street and negotiate with its existing unions. The aim will be as far as possible to make the savings through voluntary redundancies and non-replacement of staff who leave.

But Mr Linacre emphasises that flexibile working practices are seen by United as every bit as important as actual numbers of employees.

Towards the end of this year, it is believed, United will start considering the introduction of new technology and with it the obvious potential for the direct input of copy, by journalists, by-passing the traditional type-setting process. For the Daily Telegraph, the ability of The Times to cut or hold its cover price and its advertising rates could have a devastating effect on the paper's fight for profitability.

Already negotiations with the print unions in Manchester before Christmas led to a £2m savings on the wage bill. Talks with the London unions will be held later this year. Although, like United, the Daily Telegraph management wants to take its unions with it rather than locking them out behind barbed wire, clearly the changes will be drastic.

The negotiations could involve trying to bring the total of production workers down to around half the present figure. The pressure Is on because the Telegraph has invested £110m in its two new printing plants and will need to operate both efficiently.

Earlier this month, Mr Frank Rogers, chairman of EMAP (formerly East Midlands Allied Press) was appointed Telegraph deputy chairman.

It is clear that Mr Rogers, a former managing director of both the Daily Mirror and IPC, will have a key role in the coming negotiations on costs, numbers and working practices.

The emphasis will be on negotiation and voluntary redundancy, something helped by the fact that a high proportion of the production staff is believed to be near retirement age. But the aim will be to move towards direct input of copy by journalists, something that is already widely practised in the provincial press.

The new Telegraph printing plants also give scope for raising additional revenue. Manchester is already producing the Northern edition and the London plant is expected to be fully operational by September. Together the plants will have the capacity to print another national newspaper under contract. It is believed the Telegraph management intends to use that extra capacity.

The Financial Times, like United and the Telegraph, plans to take its existing unions with it and negotiate to achieve realistic cost savings, manning practices and greater flexibility.

It is believed that the Financial Times management is in the process of putting the final touches to a plan for the future to put to the board of Pearson, its parent company.

This plan was conceived long before the events at Wapping, but will clearly be influenced by what Mr Murdoch achieves. Its centrepiece is believed to involve the building of a new printing plant on the outskirts of London.

Thus, the signs are that before Mr Shah's new daily, Today, even hits the streets on March 4 the news of its coming could already have led to the most profound changes in Fleet Street this century.

# Alternative distribution network put to test

BY JOHN LLOYD AND HELEN HAGUE

THE DISTRIBUTION of News International's two Sunday titles — the News of the World and the Sunday Times — is claimed by the company to have largely succeeded. If these claims are accurate — and print union officials deny them — then NI has in place an embryonic alternative distribution system which can replace the traditional road and rail system whose origins date back to the beginning of mass circulation newspapers a century ago.

NI printed 3m copies of the News of the World — 2m fewer than usual — at Wapping and Glasgow, and 1.2m copies of the Sunday Times — 150,000 fewer than usual — at Wapping. They were taken out in trucks belonging to the TNT transport company, an Australian-owned corporation linked to Mr Rupert Murdoch, the NI chairman, through their shared ownership of Ansett Airlines.

Mr Alan Jones, the TNT chairman, moved down to the Tower Hotel near the plant to supervise the operation personally. He had agreed with Mr Murdoch last week to lift all copies of the papers which he produced, and laid on a fleet of new vehicles for the task.

The papers were transported to TNT's own distribution centres and other centres rented especially for the operation: from there they were put into smaller trucks and vans, many hired from other companies, to wholesalers and retailers. Many retailers picked them up from distribution points in their own vans.

Distribution is said to have gone well in most parts of the country except London, where many wholesalers refused to handle them because of the blacking order imposed by Sogat '82, which organises most of the distribution workers. Many newsagents received their copies late in the day but some organised special late deliveries

Mr Chris Robbins, Sogat's London district secretary, said last night that the company's claims were "a gross distortion." From information received by the union, many areas had not received the NI titles and none had appeared west of Bristol. The unions were monitoring the distribution patterns throughout the country, he said.

However, it does seem as though the light picketing evident at Wapping on Saturday night will continue, at least until Tuesday, when a special TUC general council will sit in judgment on the electricians' union, the EETPU, for allegedly colluding with NI in staffing up the Wapping plant.

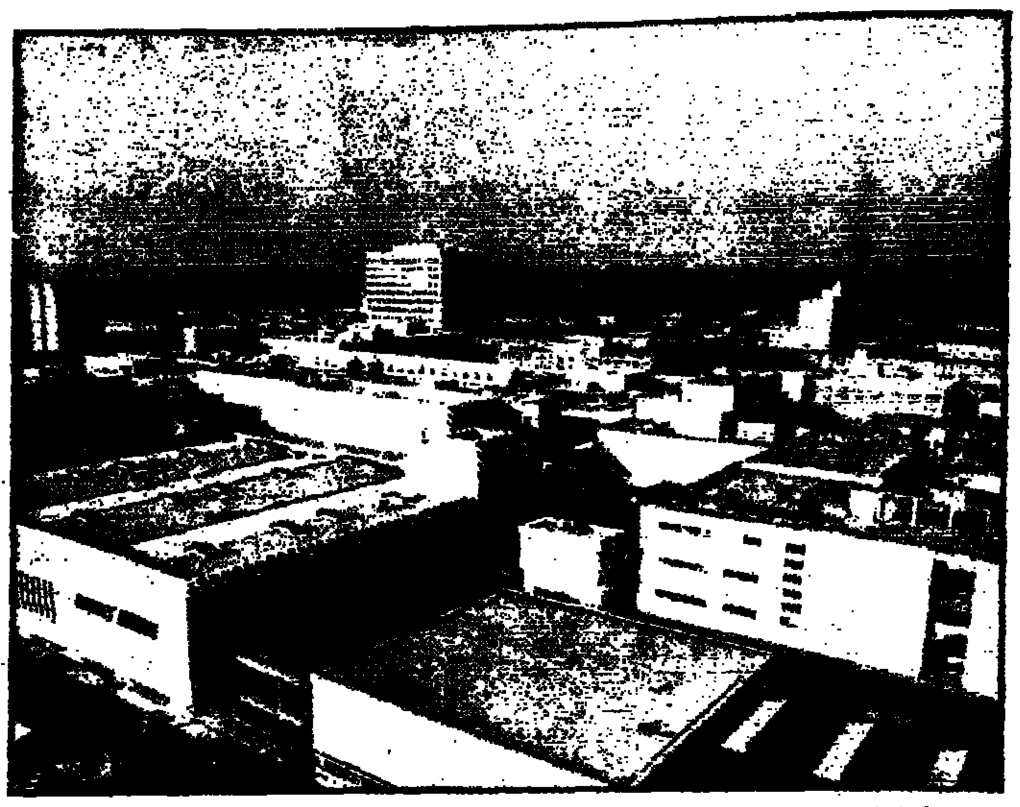
Even after that, mass picketing may not re-emerge as a tactic to block distribution: the unions will attempt to put the squeeze on distributors, and even attempt to block paper and ink supplies to the plant.

# FT REGIONAL REPORT

AROUND BRITAIN

# HARLOW

Manufacturing decline has robbed this former new town of spectacular growth and forced a rethink of strategies



The town centre (above and left) faces strong competition from other towns in the region, although more space is being built and development is encouraged by planners

Pictures: Hugh Routledge

## Town with an identity crisis



Report written by Elaine Williams

HARLOW IS a town with an identity crisis. It is no longer technically a new town, having lost its status as such in 1980, yet it still is regarded as one of the brash new towns created in the 1940s as a population overspill area for London.

Behind its concrete edifices and traffic-free shopping, Harlow is facing up to the fact that it has to fight for new industries and jobs.

Its traditional light industry, which includes many electronics companies, cannot guarantee the spectacular growth of the 1960s and 1970s. For the first time in 15 years one of the largest employers in Harlow, Cossor Electronics, with more than 2,000 workers, has announced redundancies; and other companies such as ITT and STC, expect little or no growth in employment.

Fortunately, Harlow's manufacturing base is wide with concentrations in paper, printing and publishing through companies such as Pitney Bowes and Longman Publishing; food, drink and tobacco; and engineering. However, compared with the national average of 29.5 per cent of jobs in manufacturing industry, Harlow has more than 49.9 per cent and as a result is strongly influenced by the overall decline in the UK's manufacturing base.

To cope with this move away from traditional manufacturing, and a decline in population, Harlow is rethinking its strategy. On parts of industrial sites retail warehousing such as MFI and Queensway is being placed where factories once stood.

### Initiatives

Between 1983 and last year 310 jobs have been created in the services sector and 1,300 in manufacturing, arresting the fall that has been taking place generally in industrial jobs. Unemployment stands at a little over 9 per cent — lower than the national average — but Harlow sees long-term unemployment among the young as a growing problem.

The town council has a tradition of working closely with employers and this has resulted in several joint initiatives to help reduce unemployment and help the jobless acquire new skills.

Mr Ron Snoad, chairman of the employers group, which represents about 60 companies, comments: "The council has picked up any initiative that is going around." For example, the town has a number of youth opportunities schemes, an information technology centre which runs a 20-place course, a 120-place scheme run by the Engineering Industry Training Board, a further 72 places on a course operated by the Construction Industry Training Board, and several Manpower Services Commission schemes.

Harlow also has an enterprise agency sponsored by local employers including Boots and Marks and Spencer. Tesco has seconded one of its managers to run it.

So far the agency has been responsible for helping 200 new businesses to set up locally, creating about 300 jobs at a cost of about £200 per employee. Harlow Enterprise Agency also runs an annual small business competition which has resulted in new companies.

Employers through their grouping have been responsible for the setting-up of an industrial health service so that employees have ready access to medical facilities such as X-ray screening.

Training is also high on the employers' list. They run an industrial training centre where new or existing staff can learn new skills in construction, electronics engineering and woodwork.

But it is not only industry that needs to be built up in the town. Mr Harry Platt, general manager of the town council, has expressed its concern that the population has started to decline.

The council has asked the Boundaries Commission to extend the limits of the town to the east and west and the commission has indicated that the eastern extension will be agreed. Harlow sees this as an opportunity for more housebuilding to encourage young families to stay and work in Harlow. A population of about 80,000 is needed to help maintain its present level of services.

The council has always run a "key workers" policy, providing housing for people moving into the area either as a result of new companies setting up in Harlow or bringing special skills to the town. So far, in spite of the loss of new town status, Harlow has managed to maintain this though with increasing difficulty owing to government restrictions in council house construction.

### Airport

One way of continuing to build houses, in spite of the restrictions, has been to co-operate with private building companies. For example, the council carried out a joint project with the Woolwich Building Society where the council provided the land and Woolwich the finance. A similar project is under way with Wimpey which is building housing and flats in the town.

The expansion of Stansted Airport, only 12 miles away, is seen as a potential asset to Harlow. The council estimates that it will provide between 1,000 and 2,400 jobs for Harlow, either in direct employment or in service industries.

## Stansted should boost market

### Property

RETAIL and office development is now actively sought by Harlow. The town has a strong industrial and warehouse market but has lacked large new initiatives in office development for some time.

Some stimulation to office market is expected with the extension of Stansted Airport and the M11 link road. Both of the town's principal industrial estates will benefit from the motorway's northern link and consideration is being given to the development of a business park with a high office content.

Close to the Harvey Centre shopping complex a site being developed by Sunley Holdings will house C&A and Boots together with 16,000 sq ft of office space. This development will strengthen the town's shops, attracting more out of town visitors, but Harlow does face strong competition from other regional shopping centres in Romford, Chelmsford, Southend and Cambridge as well as London's West End.

With the decline in the town's manufacturing base, industrial locations have been taken over by businesses including Queensway, Texas Bulk DIY and MFI. The council has two areas dedicated to retail warehousing—the St James Centre at Templefields and Princes Gate—and has earmarked a third centre, so far unspecified for this type of development.

The town has traditionally had a strong industrial base with more than 700,000 sq ft of industrial and warehousing space. Rents in the area range from £3.75 to £5 for new space, £2.50 to £3 for refurbished space and £2 to £2.50 for unmodernised space.

Industry in Harlow is located in two main estates, Templefields to the north-east and Pinnacles to the west of the town and in two smaller estates associated with the neighbouring centres. Haslemere Estates has recently completed a development of 66,000 sq ft of industrial space at the Pinnacles. Already about 50 per cent of this estate is let and occupied and at least a further 11,000 sq ft is under offer.

According to the town planners, there are two more pieces of land—amounting to about 90 acres—to the north west and south of Pinnacles which are earmarked for industrial development. This land is controlled by the Commission for New Towns which took over the assets of the development corporation in 1980.

## Minnows develop in shadow of giants

### Electronics

THE ELECTRONICS industry can be said to have grown up with Harlow. Today, more than 17 per cent of the town's working population is employed in this sector with STC, ITT and Cossor Electronics, part of the Raytheon Group, all large employers.

Cossor Electronics, in spite of recent falls in business, still employs more than 2,000 people at several sites in Harlow. Its main products are in military IFF (Identification Friend or Foe) radar systems and secondary surveillance radar for civilian air traffic control. Recently it has invested £5m in all aspects of computer-aided engineering and is introducing computer control systems which will radically affect the company's production efficiency.

At ITT, too, there are changes in the operation of its organisation. Work has already started on a new £7m office building funded by Norwich Union, which will house employees now scattered in four sites in the town. This building will be ready early next year.

ITT Europe runs its Engineering Support Centre in the town. Its main activities are centred on research into human factors and artificial intelligence plus the development of software design tools, computer-aided design systems and computer-aided documentation and translation. Until this year the Engineering Support Centre dealt mainly with other ITT companies within Europe; now it sees an opportunity to offer its expertise to outside customers.

An end user division has been set up which will offer ITT's skills in production engineering design and packaging, to help customers market computer-based products more effectively. ITT will start to market this service more actively later this year.

The other major electronics employer is STC which has one of its largest research laboratories in Stevenage. Pioneering work on telecommunications such as development of the optic fibre has been carried out here.

The presence of major electronic companies in the area, has encouraged the growth of smaller groups such as Tape Automation. It set up in Harlow four years ago and last year won the Queen's Award for Export Achievement for selling 75 per cent of its production overseas. In 3½ years the number of employees has grown from six to 60 people.

Tape Automation specialises in the manufacture of fully automatic equipment for loading video, audio and data tape into cassettes, and high-speed duplication systems. The company's equipment is based on very complicated computer technology and can, for example, load a three-hour video tape into a cassette in 30 seconds.

A basic, but no less profitable, product is produced by B and R Electrical Products. It makes devices called residual current circuit breakers which are used to protect against fires and electrical hazards in the office and home. Owing to tougher laws relating to electrical circuits, there has been a growing demand for circuit breakers in the US, in EEC countries and the Far East and this has helped B and R become one of the leading UK companies in this field.

# HARLOW 2

Rodin statue in front of the town hall

## Flying visits hope

### Tourism

*HARLOW'S HOPES for a boost* to the number of visitors passing through the town are now firmly based on Stansted Airport. Planners believe that the expansion of Stansted as London's third airport will mean that more people—by accident or design—will make short stays in Harlow.

The council, which is drawing up a *tourism* strategy, sees a market in weekend or short break visitors, Stansted users, speciality sports and *special* events. Harlow already attracts visitors who come to see this pioneer new town *at first hand*.

The advantages Harlow envisages in developing its tourism include a modest gain in *employment*, better use of the town's extensive leisure facilities and higher occupancy rates for its hotels.

Harlow already has excellent sports facilities including a ski slope, wind surfing and a cycle *stadium. The town* has carefully-planned cycle routes and it is surrounded by the green belt.

Harlow also has a large collection of outdoor sculptures. Pieces by Henry Moore, Rodin, Elizabeth Frink and Gerda Rubenstein are sited about the town centre.

The local authority-run Mark Hall Cycle Museum has a notable collection of machines covering the history of the bicycle from the Hobby Horse of 1818 to the Ordinaries (Penny Farthings) and first Safety cycles of the 1880s up to the present day.

There are 65 machines on display in five galleries, with another 45 in store. The estate, *with its three restored* walled gardens, is mentioned in the Domesday Book.

The council has just acquired *the Nettleswellbury Farm* complex which includes several listed buildings, among them a tithe barn built by the monks of Waltham Abbey *in the* 15th century. The barn is one of the few such buildings still standing in Britain.

Various suggestions have been made to put Nettleswellbury to good use, ranging from creating a sheltered housing *scheme*, *making it the new* town's record centre, and opening craft workshops.

Lady Gibberd has suggested that the farm should be developed as a resource centre for sculpture where completed works could be put on show.



## Pressure for a rethink

HARLOW'S PLANNERS reckon that it is time for a new town *plan*. There has not been a review of the town's development since the original outlines were drawn up in the 1940s. Now new pressures are forcing the town to rethink its future.

Harlow faces dramatic *changes in its employment* base, a declining population and it is running out of land on which to *build. On the positive side*, it sees new employment opportunities created by a new M11 link *and the expansion* of Stansted Airport.

One of the New Towns created close to London in the Green Belt, *Harlow* lies on the border of Essex and Hertfordshire, separated from *the metropolitan* area by *Epping* Forest which forms part of the green belt. Harlow has a direct link to the *M11* at *Junction 7* and this is only four miles from Junction 8 which connects to the *M25*. A new *link* to the *M11* to the north of Harlow will give improved access for industrial estates in this part of the *town*.

Harlow's master planner, Sir Frederick Gibberd, conceived it as four large residential areas, each with its own schools, shopping centres, social facilities and sports field, clustered *around the main roads to* the centre and to the industrial areas—concentrated in two parts *of the town*.

### Planning

*Sir Frederick* was *one of the* few architect/planners who lived within the town he created and his widow, Lady Gibberd, is *still* active in Harlow's cultural activities.

One of the concerns now is Harlow's population decline. The *second generation of* families in Harlow is drifting away because there are insufficient new houses to encourage *them to stay*.

Town planners have estimated that Harlow needs to build more than *5,000 houses in order* to maintain the population at about 80,000. Today the number is 76,800.

Pressure is now growing for the town to be allowed to break into the green belt to build up industry and housing estates.

The town, which has carried out nearly all the proposals of Sir Frederick's master plan, has recently applied to the Boundaries *Commission to* extend its limits. The council asked for land to the south and east of the town and has been *told that the eastern* section is likely to be agreed, which will take the boundaries up the M11. Until now this land has been administered by Epping Forest District Council.

Harlow Council believes that *some of this land could be used* to build about 3,500 new homes and help secure the population needed for future growth.

## Seeds of growth sown

### Industry

A SEEDBED centre — a small industrial estate developed for start-up ventures—is the latest *initiative developed* in the Harlow area in an attempt to create new jobs.

*Run by the Harlow Industrial* Association, a non-profit making body that ploughs back surplus cash, the seedbed centre is run for the benefit of tenants. The association has seven directors who include representatives from industry, the council and its financiers.

The £1.5m development was funded by Guardian Royal Exchange and has received aid through an industrial building *allowance* which provides tax advantages for the development.

*It is the first fully* operational seedbed centre in the country though it was the third to be built.

In total, there are 55 units on a 2.5 acre site but some of the units are no larger than a double garage. Completed in November 1984, the centre achieved an 86 per cent occupancy six months later. Some companies have already outgrown the centre and moved *into premises of their own*. But as Mr Malcolm Hazell, the property developer who conceived the seedbed *idea says*: "It is part of our philosophy that tenants should leave."

Tenants only need to sign a licence agreement and pay a returnable deposit. Notice for leaving is usually only two weeks.

About 60 per cent of the tenants are start-up companies and the centre *aims* to help these organisations survive. Rather than simply rent the spaces, the Harlow industrial association provides a central services operation within the centre.

Mr Jim Stalley, who runs it, *provides book-keeping services*, central mail collection, telex, computer and conference facilities for the tenants.

The centre runs seminars and teach-ins for the tenants, and will arrange meetings with *accountants and bank managers*.

*Providing* small companies with professional services from the outset encouraged them to run their business on efficient lines, Mr Stalley explains. The success rate of small companies in the seedbed centres is estimated *to be three times that* of traditional start-up ventures.

Bissett Engineering is an *example of Mr Hazell's hopes for* seedbed tenants. This company is moving into its own *premises after a year* at the centre. It was set up by seven partners who were made redundant from their previous company. About 80 per cent of its work is metal fabrications for *oil* rigs.

The diversity of business at the centre is enormous. One of the largest ventures on the estate is Forest Leathers, a *family* company which makes fashion leather clothes. These *sell for up to £1,000 in the top* London stores. The turnover of the company is £500,000 a year.

A larger industrial site is now available to which companies can move as they expand. Building work will soon start on an adjacent piece of land owned by the New Towns Commission. Here larger premises for sale or longer lease will be built.

## Range aids survival

DESPITE Harlow Council's concern that the employment base in *manufacturing* is declining there is still considerable manufacturing activity, *ranging from small* specialist companies such as Brian Hart, which makes Formula One *racing* car engines, to large concerns such as Pitney Bowes which manufactures mailing and business machines.

This range of companies has been an important factor in helping Harlow weather the recession. For example, the town has one of Europe's top five ink makers, Lorilleux International, which *employs nearly* 300 people. Lorilleux's main business is in inks for food packaging.

United Glass announced in October that it was investing £2.5m in the expansion of its Harlow *glassworks*. It is building an automated plant to produce up to 450 tonnes of glass a *day. Building will be* complete in the middle of this year.

Bowman Webber, a leading glass and mirror processor, has spent £1m *on its site* at Templefields Industrial Estate to produce the largest single-sheet mirrors in the world. It has created 80 jobs and there is the promise of a further 50.

Another £1m investment has been made by Shenval Print. *This high quality printer* moved to Harlow in 1953. Its business is in the production of company literature, including house journals, reports and high technology manuals for large companies such as Marks and Spencer, *BP and Shell*.

Its investment is to aid growth in overseas markets, particularly the US. The money will go towards new printing press equipment with computerised inking.

Shenval Print believes that the growth of Stansted Airport will help its own expansion overseas and the aim *is* to double its turnover to £4m in the next two years. Another expanding company in the paper industry is *Molnlycke*, the industrial paper maker, which has moved into larger premises on Harlow's Templefields estate.

*Norwood Partitions*, a manufacturer of steel partitions for office, industrial and marine use, has spent *£1m* to increase the size of its factory by a third.

# THE MANAGEMENT PAGE

## Factory automation

# An avalanche of change

**Nick Garnett discovers turmoil behind the scenes at Jungheinrich in West Germany**

THE GLOSSY annual report of Jungheinrich, the West German factory truck maker, includes a photograph of the company's spanking new manufacturing plant at Norderstedt on the edge of Hamburg.

Hemmed in by trees, fields and low level housing, it is a picture of neat buildings and orderliness that is expected from western Europe's most powerful manufacturing economy.

What the photograph does not reveal is the turmoil to which the company's main West German production base has been subjected during the past two years and which still grips parts of the plant.

This has arisen partly because Jungheinrich, one of Europe's three biggest manufacturers of electrical industrial trucks like forklifts and stackers, has shifted the bulk of its manufacturing to Norderstedt from an old plant a few miles away. It has also changed building methods, introduced three new models and installed advanced manufacturing systems. The new production methods have in turn forced the company to alter the designs of its basic range of 45 vehicles. It has also rationalised its product line. The 530 fork variations on its powered pallet trucks have been lopped down to a more manageable 110, for example.

This avalanche of change has almost been too much for the company to digest. Some of it has not been fully synchronised with the move to the new plant and assembly systems are still being ripped apart and remodelled. A series of inevitable delays and computer programming mishaps only compounded a year's halt in the planning stage of the new plant caused by an argument with ecologists over trees on the site.

To cap it all the company announced sweeping management changes in the middle of last year with the departure of senior executives, Klaus Rosenkranz and Walter Gnauert, to be replaced by two men whose wives each own half of the company.

It is perhaps a mark of the resilience of Jungheinrich that Frank Baer, who took over as chairman and chief executive this month, is in expansive mood about prospects. Speaking to journalists in the guestroom next to the Norderstedt workers canteen he said the company, which also manufactures in France and Spain, had hit its target of DM 30m (£244m) turnover this year, expected to do over DM 900m next year and was hoping to better DM 1bn within two years after that. This follows a lacklustre performance in the four years to 1983 when turnover stagnated at around DM 620m.

Such a performance would keep Jungheinrich in its place behind the German Linde group and alongside the British manufacturer Lansing Bagnall in the European electric industrial truck market. In the world league table for industrial trucks headed by Balkancar, Heister and Clark, Jungheinrich ranks ninth, according to the company itself.

The new plant, which came on stream last year and is producing at the rate of 11,000 vehicles annually, underlines the opportunities and traumas surrounding the introduction of advanced manufacturing.

Introducing new assembly lines and equipment like automated electrostatic powder coating was undertaken without too much difficulty even though some of the software had a mind of its own. For three months at weekends workers were crawling all over the racking searching for raw material pallets that had gone "Absent without leave."

Most of the design changes to adapt the factories to new manufacturing techniques are now completed. For example unlike in the old system the new painting equipment does not permit any one piece of metal to be finished in more than one colour. That has required redesign of many of the pieces making up the metal frames of the trucks where two colours are used. Some of the welding points have had to be shifted.

Frank Baer: masterminding major production changes

But, sweeping alterations in build methods are still being put in. It almost looks as if these changes are an afterthought though the company denies this.

The programme is under the direction of Dr Eckart Kottkamp, board member for technical development recruited from Bosch four years ago. Kottkamp is pulling the company towards more modular building with chunks of each truck built at fixed stations, or "function" cells. Such cells will eventually control their own materials through VDU terminals linked to a central computer and replacing the present more isolated materials flow system. This will help further to reduce inventories which, though much lower than they were, are still too high—up to three months' stocks of roller bearings for example.

Many of these transformations are mirrored at Jungheinrich's competitors. What Jungheinrich does show though is that in West German manufacturing reorganisation of the workforce travels at a much slower pace. No rush here to so-called Japanese practices other than the just-in-time philosophy.

The continuity in labour organisation so common in most German manufacturers is a factor here. At Jungheinrich it is based on consensus with the union, IG Metall, incentive piecework on the tried and trusted West German model and a strong commitment to training. At any one time in the Norderstedt plant, which employs 1,500, 60 young men and women are on full three-year apprenticeships and most will stay with the company. Piecework, which must be accompanied by tight production control and investment in training, has been all but abandoned by great chunks of British manufacturing industry.

Each department at Jungheinrich must regularly report on how it is tackling problems arising on the line, and groups of four and five people discuss possible improvements as they always have done, but there are now such things as quality circles.

Norderstedt still uses a separate quality control workforce of 100 people. Machinists have to rectify mistakes in their own time. The national piecework system in which companies and their union representatives agree standard times for all pieces of work is still in full force.

This system, Refa, provides workers with an average 40 to 50 per cent extra pay on top of basic rates. An average machine operator earns in total about DM 18 an hour (£200 a week). The pace of work seems no higher than in British plants and a good deal slower than in some. "Rythmic to slow" was how one German manager describes it. "Working well is working efficiently, not necessarily quickly."

Labour organisation is not static, however. Gunther Dytert, the production planning director, is encouraging greater use of quality self supervision. In typical German orderliness and authority this is marked by the issuing of quality stampers to selected workers.

## Business courses

**Getting into America: US Visa Law and procedures,** London February 27. Fee: £201.25. Details from Miss J. K. Van Wycks, Seminar Division, Crown Eagle Communications, Vernon House, Sicilian Avenue, London WC1A 2QT. Tel: 01-242 4111. Telex: 896827 (ref 1202).

**Business Statistics,** Berkshire. March 10. Fee: I. M. Members £255, Non members £300 + VAT. Details from IM Marketing Training, Moor Hall, Cookham, Maidenhead, Berks SL6 9QH. Tel: 06285 24922 ext 29.

**Corporate planning in practice,** Bradford. March 10-14. Fee: £625. Details from course secretary, The Bradford Management Centre, Keighley Road, Bradford, West Yorkshire BD9 4JU. Tel: 0274 42299. Telex: 51309 UBIBFD G.

**Problem solving in industrial marketing,** Lucerne, Switzerland. February 26-28. Fee: (single room) ESOMAR members SFr 1,180; Non-members SFr 1,360. Details from ESOMAR Central Secretariat, J. J. Viottastraat 29, 1071 JP Amsterdam, The Netherlands. Tel: 020 64.21.41. Telex: 18535 ESMAR NL.

**Professional skills for trainers,** Brussels. March 4-7. Fee: Non-members BFr 75,000; Members (AMA/I) BFr 68,000. Details from Management Centre Europe, rue Caroly 15, B-1040 Brussels. Tel: 21.917.

**Intellectual property,** London. March 18-19. Fee: £431.25. Details from Miss J. K. Van Wycks, Seminar Division, Crown Eagle Communications, Vernon House, Sicilian Avenue, London WC1A 2QT. Tel: 01-242 4111. Telex: 896827 (ref 1202).

**Understanding personality differences:** an introduction to the Myers-Briggs type indicator, Oxbridge. March 24-25. Fee: £295. Details from the Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel.: 0895 56461 ext 215.

**Drafting heads of agreement,** London. March 4. Fee: ESC Members £147.20; non-members £172.50. Details from European Study Conferences, Kirby House, 31 High Street East, Uppingham, Rutland, Leicestershire LE15 9PY. Tel.: 0572 822711. Telex: 341352 EURCON G.

**Cable television and satellite broadcasting,** London. March 4-5. Fee: £540.50. Details from the Financial Times Conference Organisation, Cable Television and Satellite Broadcasting Conference, Minster House, Arthur Street, London EC4R 9AX. Tel.: 01-621 1355. Telex: 27347 FTCONF G.

## Design

# 'Its importance is self-evident in products that feel right'

**Norman Sanson reviews a book about a potent element of marketing**

THE concepts of "design" and "marketing" have a lot in common. There are probably as many definitions of each as there are people attempting to define them; most businessmen would acknowledge their importance to the process of creating and delivering value in a product or service; most academics and commentators would assert that the concepts are either misunderstood by or completely missing from an uncomfortably large proportion of companies, especially British ones; and practitioners of both arts tend to think that theirs is the most vital contribution to their company's performance.

But there are also differences. Theory about "marketing" abounds, from the popularisation of the notion by Theodore Levitt's article Marketing Myopia, through the welter of publications about technical aids to more effective marketing to the current debate about the globalisation of markets. In practice, "marketing" can mean many different things to different companies. It can be a fancy word for selling; it can mean a technical competence; or it can describe a philosophical approach to doing business; it can mean a hollow, mechanical ritual, played to the tune of "We are a marketing company" when the company has lost touch with changing realities in its markets; or it can represent an attitude of mind that imbues a whole reorganisation with the desire to see and think about products and services—and opportunities to create new ones—in terms of customers' and consumers' needs, wants, values, aspirations, expectations, limitations, habits and behaviour.

There is, on the other hand, not much theory about industrial design—not much, at any rate, that has been popularised and therefore passed into the businessman's vocabulary, as the jargon of marketing theory has done. "Design" remains a specialist art practised by experts, usually in isolation of a company's other imaginative, creative and productive processes. Good industrial design is acknowledged by example, rather than by the theory of the case. But its importance is self-evident in products that feel right, look good, declare their function, their role, even who is intended to buy, in their shape and appearance.

In The Design Dimension*, Christopher Lorenz makes a valuable contribution to building understanding of what "marketing" is or can be, and to highlighting the potency of effective, imaginative design in the process of defining and creating products and services. It is not simply a book about design, although it is illuminating in the case histories which provide its core—studies of some outstanding examples of the use of industrial design and designers in a central, rather than peripheral, role in product development. It is also a book about marketing, and about the merits of a meticulously balanced approach to harnessing technology, engineering skills, design imagination and practicality, production capability and a well founded understanding of customers and consumers into a coherent, consistent market place offering.

**Nearly 100 chairmen and chief executives from top British companies will tomorrow take part in a "Design Commitment Conference" organised by Mrs Thatcher's government to promote the use of design in industry. The government, which has been promoting design forcefully since 1982, has billed it as "the most important design event for four years." One of the speakers will be the FT's Management Editor, author of the book reviewed here.**

Lorenz explores and illuminates a number of well discussed but all too rarely acted on themes:

- Marketing as an attitude of mind, pervading a whole organisation, rather than as a specialist functional activity: the difference between a market focused company, and a marketing driven organisation.
- The integrative role of marketing, concerned with simultaneously (rather than sequentially) harnessing a company's total resources of intellect, imagination and physical assets towards profitably meeting a defined market opportunity.
- The "tokenism" of many Western companies in their practice of marketing principles, compared with the more fundamentalist, comprehensively market focused approach of Japanese companies.
- The increasing importance of effective marketing, and effective use of design as a crucial component in identifying and addressing market needs, as globalisation — to greater or lesser degree — characterises more and more industries.

But the heart of the book lies in a persuasive presentation of the importance of industrial design and the potency of the contribution that can be made by the designers. The book includes a brief history of the development of the designer's role, and highlights, in its several case histories, the different benefits that good design can yield — speed of initiative in Philips; consumer appeal in products where technological superiority alone is unlikely to win, as he argues in the case of Sony; functionality enhancement in Ford cars and Baker Perkins machinery.

A couple of minor quibbles—the architects of market-led (or, at least, consumer-oriented) companies like Procter and Gamble in the US or Rowntree Mackintosh in the UK might take issue with the notion that marketing was "invented" in 1960 when it was promulgated in Marketing Myopia, since such companies were seasoned practitioners by then. And the design case histories would have been even more illuminating had they offered a bit more insight into the organisational contexts or corporate traditions which encouraged or acquiesced in the emergence of designers with highly influential roles.

Notwithstanding such quibbles, The Design Dimension makes an appetising, satisfying read. Its central themes are certainly important enough to warrant not just designers and marketeers reading it; this is a book that should be read by top management.

*Basil Blackwell. £12.50. ISBN 0-631-13747-5.*

*Norman Sanson is a director of McKinsey & Co.*





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## Architecture/Gillian Darley

# National Gallery extension in best possible hands

*At best the architect for the National Gallery extension has been chosen. He is Robert Venturi, of Venturi Rauch and Scott Brown from Philadelphia.* Despite charges of xenophobia by the second placed architects in the ill-starred 1982 competition, Skidmore Owings and Merill, nationality seems to have had no bearing here.

The selection committee has worked hard in the nine months at its disposal, first short-listing six architects from 30, and in the last three months interviewing in depth and visiting buildings, at home and abroad. Vindication for its approach, which was concentrated upon the selection of an architect, rather than a specific design, is clear in its choice. Whilst the unhappy vacillation and bitterness that dogged the earlier stages of the scheme for a National Gallery extension seemed to be reflected in the architectural outcome, this time the stage seems set for a far happier result.

Venturi is well known in architectural circles but compared to, say, Michael Graves, with whom he is bracketed as a post-modernist, he is not widely known, at least in Britain. Nevertheless, in 1960 he built the North Penn Visiting Nurses Association headquarters, since then labelled as the first post-modern building. Here he showed his irreligious view of the modern movement and his approach to historic motifs—albeit not too successfully. From the 1960s until the present his work has been hard to pigeon-hole, constantly diverse, strongly detailed and showing a shrewd approach to some of the least well-lit corners of the architectural history cupboard. Never a man for platitudes, he simply responded on Friday to the announcement of his victory with the words "I am the happiest architect in the world."

Although no one is giving anything away about the proposals that Venturi made to the selection committee, his interest and understanding of the city are evident in his work. In 1972-76 he designed Franklin Court, Philadelphia, a memorial garden set within the metal frame of the old Franklin Mansion. Ingenious, festive and celebratory it shows him at his light-hearted best.

In terms of the National Gallery commission (now shorn of office content through the generosity of the three Sainsbury brothers who have given an almost open-ended financial gift for the scheme) it was the combination of the institution, the location and the collection that appealed, he said, exactly spanning his own interests.

So far, the only certainties are the height (which will match that of its neighbour) and the facing material, Portland stone. It is, relative to public building standards, small—some 20,000 sq ft into which will go various education and public areas in addition to the new permanent galleries.

In Venturi's large corpus of work there are many university buildings, but a handful only of art galleries. Two are under construction (Seattle and Austin) while the Allen Art Museum at Oberlin College (dating from 1973-76) was an extension on to an existing florid Italian Renaissance Revival building. In this case he took a deadpan view, adding a block which he described as evoking the 1940s school gym. Quite bald, and certainly without post-modern excess, it was mostly an exercise in elegant stonework.

In the 1950s Venturi worked in the office of Louis Kahn, perhaps the greatest designer of art galleries in the 20th century. In his graceful acceptance of the commission Venturi quoted Kahn: "A good building needs a good client." After so much turmoil in the past, it seems as if the selection committeee under the chairmanship of Jacob Rothschild has lived up to that description. Venturi is an architect who has received second commissions from clients and that speaks of his ability to share the process of design—though he has clearly never been coerced.

The National Gallery extension looks in the best possible hands; a client committee (and not an architect among them) which has carried out its job with thoroughness and commitment (Venturi's words), and the result of an architect who may very well be the best man for the job.

Robert Venturi (right), the American architect selected to design the extension to the National Gallery, and a recent example of his contextual style of architecture at Princeton University.

## Podrecca opens new gallery for thinking architects

*There is, at least, in the capital a gallery devoted to the display of modern architecture.* The 9H Gallery at 26, Cramer St, off Marylebone High St, London, W1 is a small but serious venture determined to show the work of the thinking architects currently practising in Europe and America. Until February 7 it is showing the work of a fascinating contemporary Viennese architect, as yet unknown in this country, Boris Podrecca.

Podrecca is 46 years old, which is young for an architect. He has designed some intriguing conversions in Vienna, two of which are on show, the Humanic Shoe Shop which plays some amusing games with the iconography of the shoelace and has an elegant dome over the entrance, and the "1789" clothes shop.

I do not think that the work of Mr Podrecca will change the world but it has a great value in its assurance and loyalty to the Viennese traditions of elegant experiment originated by Otto Wagner at the turn of the century.

The experiments are always clear and visible, not curious compromises or hole-in-the-corner secrets. It is difficult to show the work of modern architects through just their drawings and photographs. The presentation is not helped, at least as far as the public is concerned, by the curiously dense architectural prose that so often accompanies these displays.

A visit to the gallery could easily be combined with a walk to the RIBA Heinz Gallery where there is an excellent show of the work of that maverick progenitor of the Arts and Crafts movement, Charles Robert Ashbee, always for some reason known as C. R. Ashbee. Until February 22 there is a well selected show of his architectural work as well as an account of the Guild of Handicraft which he founded in London but moved to Chipping Camden in the Cotswolds.

Ashbee was born in 1863 and he is as famous for being a romantic socialist, in the mould of William Morris, as he is as an architect and designer. His work as a silversmith and jeweller is well known and there are some lovely examples of his "jewels for art" as well as two magnificent examples of his furniture.

The exhibition has the authority of being organised by Alan Crawford, the author of the recent magnificent biography of Ashbee by Alan Crawford (Yale University Press, £35). It includes wonderful drawings and photographs of Ashbee's work in Jerusalem

**Colin Amery**

## A Journey to London/Orange Tree, Richmond

**Michael Coveney**

Vanbrugh's *A Journey to London* was a four-act fragment abandoned by the author but revamped, restructured and sentimentalised after his death by Colly Cibber in 1728 as *The Provok'd Husband*. Cibber had a huge hit, but in making the unruly plot lines cohere and in flattening out many of the most distinctive scenes and lubricious innuendo — as well as the ripe splendour of the descriptive language and incidents such as the disastrous coach trip to the theatre — he did Vanbrugh a disservice.

James Saunders prepared this version for Greenwich some years ago: he gives us about 40 minutes of compressed Vanbrugh and twice as much of himself. These proportions are not ideal, nor does Sam Walters' production hit an even or convincing tone. There are two main problems: playing Vanbrugh in full light and in loosely Edwardian costume is scenically inadequate; and the characters do not speak in Saunders as they spoke in Vanbrugh — to say with Saunders that "women are almost as chaste as the foxes" is jarringly daft, and not to acknowledge the ribaldry in Vanbrugh's card-game reference to Miss Betty's little soft velvet purse is plain dim.

Vanbrugh breaks off in the middle of his card game into which the country visitors have been inveigled by Lady Arabella, a gambling addict whose late nights are driving her husband, Lord Loverule, to consider expelling her. The country MP, Sir Francis Headpiece, is a blinkered buffoon in the style of Tunbelly Clumsy whose wife is quickly warming to the capital's temptations.

Following Cibber's example, Saunders creates a link between the separate stories through romance. The stalking of Miss Betty (Amanda Royle) by the rakish Colonel Courtly (Philip York) is as brutish as his treatment of the young saving girl Martilla (Joan Moon). As the evening proceeds, the marriage renewal of the Loverules, with Lady Arabella's debts forgotten in the argument for liberty, is counterpointed by Saunders with the feminist awakening of Miss Betty.

One of Vanbrugh's finest scenes, the discussion between Lady Arabella and Clarinda (here cut) on the conversational joys of married life, is reworked cleverly into the later patchwork. And Saunders responds brightly to his model in giving a spur to Loverule's (Chris Tranchell) emotions from his best friend's infatuation with his wife. The friend, Sir Charles (John Hudson), is finally drawn to Martilla who has been "under instruction in reality" after an engaging moonlit masked ball sequence that is fraught with ennui and scented with Anouilh.

I enjoyed the flittering equivocation of Auriol Smith's Lady Arabella, but the predominant style is of intimate Orange Tree, actors sidling into view with emphatic discretion. We are denied the voracious plumpness of Sir Francis's pie-guzzling son, the cozening bawdry of the hostess Motherly—two examples of Vanbrugh's high-spirited vein of characterisation in which Saunders, as his discursive elaborations reveal, takes little interest.

## Ambache Ensemble/Elizabeth Hall

**Max Loppert**

The Ambache Chamber Ensemble, directed jointly by the pianist Diana Ambache and the violinist Adrian Levine (formerly of the Amphion Quartet), made on Friday a pleasing first appearance on South Bank. The group, "consisting of established freelance players," operates without conductor, "in the manner of the Classical period" (though first and second violins are unClassically lumped together, not correctly disposed opposite each other).

In the opening Haydn *Surprise* Symphony, the firm string basis of the ensemble was immediately apparent. There were never any threats or disturbances to unanimity—these players work together, surely, and with a good deal of corporate spirit. It was no more than a well-turned-out reading of the work—real Haydn rhythmic spring and bite were lacking, particularly on the bass line. But the tone was certainly attractive.

Miss Ambache produces a brittle sound on the piano, which she turned to account in the Mozart C major Concerto, K503—the performance moved crisply forward, with an Andante that was for once just that, and it was detailed by more than a few lively, imaginative turns of phrase, notably in the Rondo. The larger view of a large work, the structural underpinning that a conductor can help to ensure, was not to be had; the "breadth and might" of K503, the "heroic nature" hymned in Girdlestone's famous study of the piano concertos in such awe-struck terms, were toned down.

In between Haydn and Mozart came a novelty, from the least-often-revived member of Les Six, in which the qualities of all the participants were best represented—Germaine Tailleferre's Piano Concerto of 1924. It's a wonder that a work so sketchily thin on real material, and so crucially dependent on child-like imitations of Bachian polyphony, can breeze along as brightly as on this occasion it managed to. It is all manner and no substance. But the manner is charming (a high, chattery muted trumpet, well delivered by Mark Bennett, makes a specially spirited effect), and so the trick is turned.

## Lontano/St. John's, Smith Square

**David Murray**

Some Lontano programmes are more mysterious than others. Their cheerful concert on Thursday included three excellent recent pieces besides a Villa-Lobos bonbon and a wild exhibition-number for (and by) a solo oboe, which ought to have been enough — and a plain disaster. That was Guillermo Rendon's *Serkan Ikala*, an amateurish exercise in exotica, which to their credit Lontano played with no conviction at all.

I suppose we should be grateful to their director, Odaline de la Martinez for taking chances, but this is a score to be opened and hastily closed.

We were due to get Leon Biriotti's whole new oboe concerto for himself, but in the event he performed just the cadenza: first only on the detached reed (piercing wails), then on the whole instrument (with a fabulous display of chords and smokey timbres), then on two instruments at once, and concluded with ruminative reed-noises blown into the bell of the oboe. It was appealing as well as astonishing.

This concert belonged to Lontano's "Americas" series, and besides the aforementioned South American music there were Elliott Carter's Triple Duo and Peter Lieberson's *Lalita* to represent the Northern continent. The rich, effervescent Carter piece has become almost a repertoire piece already, and the expert Lontano players evidently enjoy it as much as anybody. Lieberson's "chamber variations" proved to be imaginatively refined, elegantly unpredictable, just occasionally academic of cut.

There is more than whiff of Berg about them (which is a virtue) and Lieberson is generous with rewarding solos for everybody involved (piano, percussion, and quartets of winds and strings). Further hearing should discover many original subtleties.

There was one première: Nicholas Sackman's *Corranach*, inspired by an anecdote in Smollett's *Humphrey Clinker*. It proved to be a splendid joke — and not merely jokey. The scene is a drunken funeral with pipers, and a final oration punctuated by howls from a "corranach" of beldams. Sackman conjures it up in four continuous sections, as ingeniously comic as they are quirkily scored, not missing out the damp mists, the shrill skirling and the general woozy inebriation. Yet he sacrifices nothing of his usual constructive detail: anything that sounds like an "effect" proves to be a strictly functional bit of the jewelled watch-work, and there are strong passacaglia-like underpinnings. Another rehersal might have achieved still more panache, but among Sackman's all too infrequent products *Corranach* is clearly another odd gem.

## Baudo and Ousset/Festival Hall

**Max Loppert**

*The invasion of the London* musical scene by French conductors and French pianists playing French music continued on Thursday, to our good fortune. Serge Baudo, an infrequent but welcome visitor to South Bank and the London Philharmonic Orchestra have formed a rewarding partnership; for the Berlioz *Beatrice and Benedict* Overture, and noticeably in its deliciously impudent sneak-in of an opening phrase, it was a partnership not yet quite steeled in every particular. But then, for the second work on the programme, Bizet's Symphony in C, things came together—brightly and, at times, quite brilliantly.

Baudo is a southerner: he seems to understand, instinctively, the many ways of infusing the Allegro vivo string phrases with laughter and sunshine, to feel and communicate with native directness Bizet's extraordinary combination of formal perfection and lyrical warmth. There were a handful of flecked details at one or two moments of special vivacity, yet the main lines of the music stayed firm, while in the Andante the support for the excellent first oboe (Gordon Hunt) was finely judged to allow spontaneously individual phrase-shaping without letting the momentum go soft or soggy.

The pianist in the Ravel G major Concerto, Cécile Ousset, is currently unmatched at achieving brilliance within a tautley held *tempo giusto* framework—in this she belongs at an opposite interpretative pole from the mercurial Martha Argerich, another superb exponent of this work. Nothing was smudged in the solo part (which thus showed up some over-exuberance in the brass), nothing banged or strained; the playing was both cool and warm, limpid and loving. A full-throat account of *La Mer*—perhaps a shade loose with Debussy's carefully graded tempo modifications, but coordinated with sufficiently precise ensemble to bring off such licence—closed an enjoyable concert.

## Music in style

The Borodin quartet from Russia, the Alban Berg quartet from Vienna, and the French pianist Cecile Ousset are among the performers at the 1986 National Trust concerts which will take place in 14 National Trust houses, starting at Dunham Massey in Cheshire on February 1, with a programme devoted to Clara Wieck, the wife of Schumann, and featuring Fecility Lott.

This year the Arthur Anderson Foundation joins Country Life Magazine and Herring Son & Daw as sponsors. Other houses to host concerts include Clandon Park, Stourhead, Dyrham Park, and Osterley Park.

The established series of country house concerts, Stately Homes Music, sponsored by Lufthansa, may not go ahead this year because of a £50,000 deficit built up in 1985. Ten concerts are still planned, at Syon House, Kedleston, and Blenheim, among other places, but confirmation awaits friends of the series, or a sponsor, meeting some of the accumulated loss.

## Endymion Ensemble/Purcell Room

**Richard Fairman**

A living composer on an upward path is a pleasure to encounter. Thursday's concert at the Purcell Room was devoted to the music of Simon Bainbridge and it gave us the chance to sample a small handful of his works ranging from those of his student days in the early 1960s to *Three Players*, which was written in the autumn of last year.

Even the earlier pieces are interesting enough. Writing for a chamber group such as is found in the Wind Quintet (1971) already suggests a composer's ear that is becoming finely tuned to original textures and sounds. But it is with the works of the late 1970s that a stronger quality emerges: from the *Music for Mel and Nora* (1979) on, a rigorous logic gives his style a real structural backbone.

Everything is contained within a strict scale of time and tonality. Small ideas repeat over and over with exuberant energy and the fascination of the music is in seeing them grow and change within the limits the composer has prescribed. (Bainbridge has said that he does not like the term "minimalism," but his music comes within hailing distance of it.) *Voicing* (1982) is a still more playful example of the same kind.

With *Three Players* for bass clarinet, cello and piano, this style is exploited in a still more single-minded fashion, allowing no variety of musical ideas to diffuse the central thrust of activity. All these pieces were quite short and it would be interesting to see how their logic and planning might be applied to longer forms. Bainbridge says that he is writing a symphony. That should certainly be worth waiting for.

The look of his scores, like the near-identical packs of semiquavers scrambling across the page in the *Concertante*, must make them a devil to read, let alone play. But the Endymion Ensemble gave each of them with plenty of zest and Nicholas Daniel proved to be a virtuoso soloist in the two works for oboe.

## Rattle/Barbican Hall

**Dominic Gill**

The City of Birmingham Symphony Orchestra's concert under Simon Rattle on Thursday was devoted principally to a magnificent performance of Messiaen's *Turangalila* symphony; but that was introduced by the first London performance of a new work by the young French composer Tristan Murail (who also played the *ondes Martenot* in *Turangalila*).

Murail's *Time and Again* (specially commissioned for the CBSO by the Feeney Trust) is in essence 17½ minutes of clever sound-effect music drawn from a well-stocked sketchbook of orchestral effects (the score includes a large percussion section and an important role for a Yamaha DX7 synthesiser). The order in which the sequence is sewn together does not seem to be strictly relevant; more interesting is the linking and dovetailing of the various sections, which Murail does with considerable virtuosity. It is an odd, intriguing piece, given with enthusiasm and commitment by the orchestra.

Rattle's *Turangalila* was raw, exuberant, a broad canvas of ebullient, no-nonsense ecstasy. Every Messiaenish element, and especially those elements such as the *Jardin du sommeil d'amour* which succumb most easily to mawkish sentiment, was the more immediate and the more affecting for being proposed in such simple, translucent and absolutely unsugared accents.

The balance of the *ondes Martenot* with the orchestra was, for the first time in my experience, exactly right, splendidly, peachily audible in all of its subtler, quieter sonorities and counterpoints (notably in the *Joie du sang* and the *Developpement de l'amour*, where it is usually swamped). Peter Donohoe was the splendid solo pianist, with a big tone, knife-edge key descent. The finale, also for the first time in my experience, was never in the least sanctimonious.

## Arts Guide

Jan 24–30

### Music

**LONDON**

**Academy of Ancient Music**, with Emma Kirkby, soprano. Vivaldi and Händel. Queen Elizabeth Hall (Mon). (928 3191).

**Louis Demetrius Alvanis**, piano: Bach, Beethoven and Chopin. Queen Elizabeth Hall (Tue).

**London Philharmonic Orchestra**, conducted by Serge Baudo, with Ida Händel, violin. Berlioz, Sibelius and Brahms. Royal Festival Hall (Tue). (928 3191).

**PARIS**

**Orchestre Colonne**, conducted by Pierre Dervaux, with Abdel Rahman, El Bacha: Stravinsky, El Khoury, Ravel, Bartók (Mon). Salle Pleyel (45610630).

**José Van Dam**, bass; Anne Pareuil, mezzosoprano; Anne-Marie Fontaine, piano: Gluck, Tchaikovsky, Mozart, Mussorgsky (Mon 8.30pm) TMP-Châtelet (42334444).

**Vlado Perlemuter**, piano: Bach, Beethoven, Ravel (Mon). Théâtre des Champs Elysées (47234777).

**ITALY**

**Rome**: Auditorium in via Della Conciliazione: Soprano Rosalind Plowright. Webern, Strauss and Bruckner, conducted by Gustav Kuhn (Mon and Tue). (654 1044).

**Rome**: Teatro Olimpico: Piazza Gentile da Fabriano: Antonio Meneses, cello; Franz Massinger, piano. Beethoven, Strauss and Chopin (Wed). (393304).

**Florence**: Teatro Comunale: mezzosoprano Teresa Berganza accompanied by Juan Antonio Alvarez Parejo. Vivaldi, Brahms, Granados and Brega (Tue). (2779236).

**NETHERLANDS**

**Rotterdam**, De Doelen. Recital Hall: Emmy Verhey, violin, and Youri Egorov, piano. Schubert (Wed); Isabelle van Keulen, violin; Mathias Weber, piano. Beethoven, Janaček, Brahms (Thur). (142911).

**SPAIN**

**Madrid**, Midday concert (Mon). San Telmo Foundation Trio. Beethoven and Schumann; French Baroque Cycle: concert by José Miguel Moreno, Baroque Lute (Wed). Fundacion March, Castello 77 (4354240).

**Valencia**, 1986 season: St Martin-in-the-Fields. Teatro Principal, Barcas 15, Valencia (3510051). (Tue).

**NEW YORK**

**New York Philharmonic** (Avery Fisher Hall): Erich Leinsdorf conducting, Walter Klien, piano. Schoenberg, Stravinsky, Dvořák (Tue); Erich Leinsdorf conducting. Brahms, Martinu, Stravinsky, Berlioz (Thur). Lincoln Center (8742424).

**WASHINGTON**

**National Symphony** (Concert Hall): Klaus Tennstedt conducting. Wagner, Beethoven (Tue); Yoel Levi, conducting. Barber, Schoenberg, Saint-Saens (Thur). Kennedy Center (2543776).

**CHICAGO**

**Chicago Symphony** (Orchestra Hall): Sir Georg Solti conducting. Weber, Rochberg, Schumann (Thur). (4358122).

# FINANCIAL TIMES
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Monday January 27 1986


# The bunker mentality

MRS THATCHER said on television yesterday that she will answer the outstanding questions arising from the Westland affair in the emergency debate in the House of Commons this afternoon. She will be right to do so. Indeed no other practical course is available to her. One more prevarication, one more refusal to deal with the facts, would undermine the British Government's credibility to the point of no return.

Two sets of questions have to be dealt with. The first is how the Prime Minister's office came to connive with the Department of Trade and Industry to leak the confidential letter from the Solicitor-General to Mr Michael Heseltine, then Defence Secretary, without Mrs Thatcher knowing much, or anything, about what was going on. Possibly she did know. The charge is quite serious.

The second concerns when the Prime Minister knew that the matter had been mishandled in the way it was. On the face of it, it seems extraordinary that it should have needed an inquiry by Sir Robert Armstrong, Cabinet Secretary, to tell her what was happening in her own office and between government departments, especially on a subject that had already become so sensitive. A few telephone calls, a few face to face conversations, might have revealed all within hours.

### Senior figure

No doubt Mrs Thatcher will seek to give honest and detailed answers in the House of Commons today. She has no choice, and it would be uncharacteristic of her to do otherwise. Yet it is beginning to look as if the best possible excuse that can be put up is that the Government was simply incompetent. There was no conspiracy, no great lack of integrity, just a straightforward, though monumental, mess-up.

That may be honest. But it is not very impressive. The Prime Minister may well have had other things on her mind: the oil price, the Middle East, law and order, for examples. Prime ministers always do. It is the mark of good governments that the machine goes on working. In this case it did not.

It was not very impressive either for Mr Douglas Hurd, the Home Secretary, to say on television yesterday that, although he did not know what Mrs Thatcher will tell the House today and was not privy to all that had happened, he was quite sure she will vindicate herself. Mr Hurd, nowadays a very senior figure in the party, seemed remote from events. In the past, senior ministers would have given a private warning when the Prime Minister was in trouble. This procedure does not seem to apply very much under Mrs Thatcher.

### Uncertain touch

It is also not very reassuring that the successor to Mr Leon Brittan at Trade and Industry should be Mr Paul Channon. Mr Channon's appointment has the merit of convenience in that it will limit ministerial changes to a minimum because he was already at the department as Trade Minister. If he has the ability to master a department that has caused so much trouble to his predecessors, Tory and Labour alike, it has yet to become apparent. Nor does he have much sparkle to add to the Government's main line of attack. It is becoming increasingly obvious that some of the people on the Tory back benches are rather better known to the public than those on the front.

There is a touch of the bunker mentality in all this. A Prime Minister who in many ways has changed the whole ground of British politics over the years, and even dragged the opposition parties in her direction, suddenly becomes uncertain of her touch.

Mrs Thatcher can recover. She seemed very chastened in her television interview yesterday, stressing the need for cabinet government and claiming that it had been made impossible by the refusal of one man—Mr Heseltine—to play with the team. It was not altogether clear that there was a team to start with: more a group of factions and ad hoc committees.

If she does well in the Commons today, she can start rebuilding the fortunes of what has become a very battered administration. It will take time and will need a new style of leadership that takes her colleagues with her but it could be done.

# Fair share for employees

AN UNUSUAL degree of political consensus has been developing over the past decade in support of employee share ownership.

The Conservative party and its backers in industry have abandoned their scepticism about the interest or willingness of workers to exercise their ownership and decision-making rights. Particularly since the 1983 election, the Government has included employee share ownership in its vision of a "property-owning democracy." The Liberal Party has long been an enthusiastic advocate and was responsible for the introduction of the first employee scheme with tax incentives in 1978.

Even the Labour Party, which supported the 1978 scheme, has shed some of its traditional suspicion of such forms of collaboration with capital. For many on the right of the party, employee share schemes and co-operative ventures have replaced the centralised and monolithic nationalised industries as the model of industrial ownership.

Messrs Keith Bradley and Alan Gelb in a Public Policy Centre study discussed in the Financial Times last week and published today add to the rising enthusiasm with academic evidence that employee share ownership boosts the motivation and productivity of the workforce.

They demonstrate however that employee share ownership in the UK lags behind several other major industrialised countries.

### Easily abused

Of greater practical relevance are the employee share schemes encouraged by tax concessions. The Employee Stock Ownership Plans in the US have probably been the most successful and now cover about 10m workers. This compares with the 750,000 workers in the three types of employee profit-sharing and share option schemes introduced over the past eight years in the UK. Their more limited success reflects both the lesser tax incentives granted to companies setting up such schemes and the greater reluctance of trade unions to discuss them as part of their wage demands.

But the case for extending the tax incentives in the UK is weak, the PPC study suggests, as the tax breaks can be easily abused and the more general economic and social benefits are limited.

By far the most popular share scheme has been the 1984 one just because it can be limited to executives and does not have to be extended to all the workforce. Share options may improve the incentives for top managers but, if so, companies will introduce them without the need for tax concessions. Indeed they may have plumped for a more sophisticated form of performance-related bonus were it not for the artificial advantage of tax concessions. Thus the case for granting tax breaks to executive-only schemes is weak.

### Extra risk

But the principle of fiscal neutrality does not require the withdrawal of all tax concessions to employee share schemes. The present tax system has a substantial bias in favour of remuneration, and investment through pension schemes at the expense of direct share ownership in one's employing, or any other, company. There is a strong case for allowing employees to direct part of their occupational pension fund money into a trust which would acquire shares in their employing company. The employers would have identifiable and realisable stakes in the trust.

Such a reform should not arouse the backwoodsmen in the shires who blocked the Government's plans last year to remove some of the pension tax concessions by organising a wave of protest letters. And although employees would take on the extra risk of losing both their livelihood and part of their wealth if the employer went bankrupt, they could be granted greater freedom to cash in part of their stake in the employee share trust before retirement.

As the PPC study suggests, the Government should require such schemes to include a training programme for all employee shareholders to make them more aware of the financial and economic factors affecting their company's performance. Such a programme might also encourage trade unions to view employee shares as an intrinsic part of their members' remuneration package.

WALL STREET

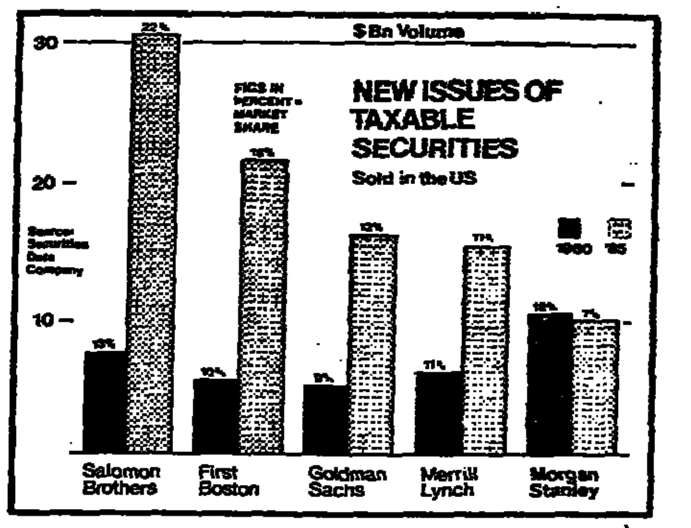
# Morgan Stanley gears up for a global battle

By Terry Dodsworth and Paul Taylor in New York

IN A few weeks time, Morgan Stanley, doyen of the blue-chip Wall Street investment banks, is due to treat investors to a rare glimpse of the inner working of one of the most fabulous money-making machines ever invented.

As the company breaks half a century of tradition and throws itself open to a public quotation, its prospectus is expected to show an organisation that has bumped up profits through boom periods and recessions over the last five years, almost quadrupled its capital base over the same period, and generated a regular return on capital of about 35 per cent.

Yet the figures are only half of the story. What potential investors will also be witnessing is a crucial turning point in a firm which is now battening down the hatches for the next big expansion in the securities business—the race to become one of the global companies embracing the dominant financial centres in the US, Europe and Japan.




TOP US INVESTMENT BANKS (ranked by capital)

| Firm | 1984 capital ($m) |
|---|---|
| Merrill Lynch | 2,214 |
| Shearson Lehman Brothers | 1,896 |
| Salomon Brothers | 1,732 |
| Dean Witter | 1,237 |
| E. F. Hutton | 1,020 |
| Goldman Sachs | 859 |
| First Boston | 659 |
| Prudential Bache | 618 |
| Paine Webber | 572 |
| Drexel Burnham Lambert | 561 |
| Bear Stearns | 508 |
| Morgan Stanley | 355 |

Morgan's decision to go public underlines the high stakes that are now being played for on a worldwide scale by the big securities houses. Over the last 15 years or so, the bank has become one of the handful of institutions that have managed to jockey themselves into a pole position in the race to develop true multinational securities businesses.

It has battled through a deadly period of cut-throat competition in New York, gone through a complex character change at breakneck speed, and expanded at a rate more appropriate to a high technology high-flyer. To continue in the same vein, as the world securities industry goes through a similar shake-out to the one that has engulfed New York, it now needs additional capital.

The big question posed by this rush for expansion is whether Morgan can manage its way through it. Like all its competitors, it is faced with two overlapping problems, both of which demand heavy resources.

On the one hand, it needs to invest in computer and other back-up services which bolster its risk management analysis, a vital activity as the sums exposed to trading fluctuations grow steadily larger. On the other, it has to spend heavily on new recruits and trading space. During 1985 alone, it added 670 people to boost its worldwide staff to 3,900. Of these 400 are currently employed in London, and a further 140 in Japan, where it has just become one of the handful of foreign firms to win one of the coveted seats on the Tokyo Stock Exchange.

Part of the answer to Morgan's ability to cope with this challenge may be provided by the public offering, when the company is expected to demonstrate how it has managed to force its way into the top ranks of global competitors. In the process, it will aim to neutralise some of the criticisms that it has faced on Wall Street, and which, as a private, somewhat secretive organisation, it has often suffered in silence.

Over the last few years, Morgan has not had a particularly flattering press in the US, partly because, as one insider puts it, "we may have allowed our competitors to do our promotion for us." More than any other investment banking group on Wall Street, Morgan has been saddled with the image of a traditional establishment bank, elitist, aloof and old-fashioned. Even worse, in a Wall Street hooked on aggressive deal-making and innovative trading, critics claim that it has been slow to respond to the tidal wave of new financial instruments that have flooded through the financial markets.

There is nothing that makes Morgan executives bristle more than this sort of criticism. Yet the impression that the bank makes on the public is easily understandable. Spun-off from the J.P. Morgan financial empire 51 years ago, the organisation still retains many of the trappings of a more leisurely banking era.

Technically a private company, it is run like an exclusive partnership, headed by a management committee of four executives, all Ivy League alumni. The 114 managing directors—not a woman among them—gather together once a month "in a very large room" to discuss policy for anything up to three hours. It is a democratic structure completely unlike the standard corporate organisations which govern most of Wall Street.

There is only one other private New York investment bank, Goldman Sachs, which has anything like the aura of inherited distinction which hangs around Morgan. Goldman, whose Jewish origins contrast with Morgan's own Waspish East Coast origins, is often seen as Morgan's arch rivals — and in recent years it is Goldman, with its stronger roots in trading and its larger capital base, that has invariably been regarded as the stronger of the two.

Critics look particularly at the underwriting figures for US debt and equity securities. Morgan dominated this business as recently as the early 1980s, but since then it has been swept off its pinnacle amid the biggest flood of securities activity ever seen on Wall Street. While Goldman has increased its market share, Morgan has lost ground to the big trading firms such as Salomon and First Boston, which have built skilfully on their position in the booming government securities market.

Morgan's prospectus, aimed at raising about $200m for 20 per cent of the firm, is expected to try to throw a different light on the public perception of both its culture and its position in the securities industry league table.

It is very difficult, for example, to prove convincingly that the bank is still an upper class enclave providing comfortable outwork for graduates of the smart East Coast colleges. Many of its managing directors these days come from US equivalents of British redbrick universities. Some are street-smart individuals who have worked their way around Wall Street before arriving at Morgan's headquarters high up in the Exxon building in midtown Manhattan. The head of the computer division, Mr William Cook, dropped out of college and once scraped together a living in a Lake Tahoe gambling joint.

"This is a meritocracy," insists one insider. "The only criteria for working here are to be very smart and to achieve results."

There is no particularly visible slippage, either, in the bank's core business of mergers and acquisitions. In 1985, the most extraordinary year ever for US takeover activity, Morgan was as busy as any of its competitors, participating in five of the top 10 deals and, according to Fortune Magazine, collecting the single largest fee—$19m for advising the Howard Hughes Medical Institute on the sale of Hughes Aircraft to General Motors.

Only First Boston earned higher total fees in the top 10 league table, garnering $56.7m against Morgan's $49.3m. "Eric Gleacher," says a rival banker, speaking of Morgan's top dealmaker, "is absolutely terrific."

Even in US securities underwriting, Morgan's eclipse may be less significant than appears at first sight. Morgan has shifted direction slightly to give greater emphasis to international business, in the process establishing a healthy reputation in London, where the margins tend to be fatter. Last year, it ranked fifth in global securities underwriting.

The strategy in underwriting underscores a common theme in an organisation where capital has been relatively scarce at a time of expanding activity—to emphasise margins rather than volume. But while this approach has generated impressive amounts of cash—around an estimated $150m last year alone—Morgan has discovered that internally generated funds by themselves are no longer sufficient. As a private partnership which has to buy out retiring executives, many of whom have a paper worth measured in millions of dollars, it is particularly poorly placed.

The reason Morgan is finding itself short of capital is tied in with the rapid evolution of the financial markets over the last 15 years or so. To examine the company's development over this period is to see the growth of a system that has taken a large number of small, highly specialised units and steadily amalgamated them until a few survivors are now, quite suddenly, becoming true multinational organisations. With each step up in size, the demands for capital have increased.

Mr Richard Fisher, president of Morgan Stanley

Morgan itself started the 1970s as an archetypal US investment bank, employing only around 200 executives, whose job was to dish out advice to big corporations such as General Motors and Royal-Dutch Shell, and to manage their securities for them.

This was a fine business when margins were fat and competition was thin. But 15 years ago, the bank saw the writing on the wall as new competitors began to emerge. In March 1971, Morgan's partners held a crucial planning session at which, as an executive once put it, "the modern Morgan Stanley was born."

Mr Richard Fisher, Morgan's 49-year-old president, wrote in the company's 50th anniversary review last year that this meeting made "one simple decision, which led to all the subsequent growth of our firm. Our decision was that we had to earn day-to-day relationships with the suppliers as well as the issuers of capital." In other words, Morgan, for the first time, entered the hurly-burly world of secondary trading.

Over the next decade, Wall Street plunged into its biggest period of change since the last war. While Morgan and the blue-chip corporate finance specialists edged into the trading sphere, other firms with their roots in retail broking and secondary trading began to push back into the exclusive territory of the investment banks.

This convergence of interests was hastened by the abolition of fixed rate commissions in 1975. "Black Friday," as it came to be called, led to a shake-out among the brokerage firms as thinner margins forced them to diversify and gobble up their competitors, or make a dash for higher volume.

The businesses that emerged on top from this period of amalgamation and takeovers have become giant financial supermarkets. Merrill Lynch, Salomon and the American Express Shearson Lehman unit have all been trying to use their weight in the markets to offer corporate clients an ever-widening array of financial products and chip away still further at the basic business of the old-line investment banks.

The classic illustration of how these developments affected Morgan occurred in 1979, when International Business Machines, a long-time Morgan client, demanded that the bank accept a co-manager if it wanted a slice of a $1bn issue. Morgan refused and lost the business to Salomon. Since then, it has taken a less high-handed approach.

In the last few years, the investment banks have had to cope with the imposition of Rule 415, the so-called "Shelf Registration" regulation under which Wall Street firms are encouraged to bid competitively for underwriting business. This has inevitably eroded still further the cosy relationship which used to exist between large corporations and their corporate finance advisers, turning the issue of debt securities, in particular, into a commodity-type business.

Under the impact of this more competitive climate the surviving investment banking firms have retreated into niche-type strategies or, like Morgan and Goldman Sachs, geared up to counter-attack on a broad front.

Only 40 per cent of Morgan's revenues now comes from the traditional corporate finance side. The rest of its business is fairly evenly split between securities trading and a range of diversified activities, many of which have been added only very recently. In the last five years alone, it has entered the commercial paper business, money market instruments, foreign currency dealing, precious metals, tax-exempt securities, leverage buyout financing, mortgage-backed securities and junk bonds.

Until very recently, Morgan appeared to believe that it could generate the capital requirements for running this sort of business and translating it to a global scale without seeking outside capital. Speaking in London last April, Mr S. Parker Gilbert, the bank's chairman, said he was confident that the group's underlying profitability was "more than adequate for the requirements of our business in the years ahead." He added: "We are a private investment firm, owned entirely by officers of the firm. As a footnote, I should add that we intend to stay that way."

The decision to turn that footnote into an erratum seems to have derived partly from the belief that the pace of change overseas is accelerating faster than expected. The point will not have been lost on Goldman Sachs. Virtually everyone in New York's gossipy investment banking world says there is absolutely no question of Goldman going public as well. But that, after all, is exactly what Morgan Stanley was saying a year ago.

# Men and Matters

## Channons at the ready

Paul Channon, the new Trade and Industry Secretary, made his most notable contribution to British politics so far when he was still a back-bencher in 1967.

He permitted the publication of the fascinating and often indiscreet diaries kept by his father Sir Henry "Chips" Channon. As parliamentary private secretary to "Rab" Butler, Channon was able to give an insider's account of the 1940 fall of the Chamberlain government. An event which super-optimists on the Labour benches are suggesting has some similarity with the situation Mrs Thatcher will face in the Commons today.

Paul Channon, who succeeded his father as MP for Southend West in 1959, must be hoping that his career as a cabinet minister starts without any repetition of the incident which marred his early days as a junior minister at the Department of the Environment.

He failed to be in his place on the Government front bench when called to make a statement and suffered the humiliation of being publicly bawled out by Viscount Whitelaw, then the leader of the Commons.

## Bonus onus

The Government's offer of performance bonuses to top civil servants is having a marked impact—though not quite in the way intended.

Introduction of annual bonuses, of between £500 and £3,000, has not gone down well in Whitehall. A recent confidential report by consultants Hay-MSL shows that most senior staff consider the payments divisive and contrary to sound management practices.

According to the First Division Association, the mandarins' union, this antipathy to the system is now being translated into active opposition. In the Department of Public Prosecutions, for example, 31 staff have signed disclaimers saying they wish to be excluded from consideration for the bonuses.

Others are telling managements they will refuse to keep the money, should bonuses be forced on them. The FDA branch in the Employment Department is circulating forms for members to declare their intention either to pay the cash (net of tax) to charity, to give it to the union, to return it to the department, or to pursue a fourth course with one or all of the others.

The fourth coruse is—"to hold a party for colleagues, demonstrating that the bonus is in practice a recognition of collective performance."

One FDA statistician in the Office of Population Censuses and Surveys has already acted along such lines. He has told his superiors he will use his bonus money, paid last December, to take his entire 25-strong division to he Forune Theatre to see the award-winning John Godber comedy Up and Under.

## Beeb prepared

Auntie is keeping strange company these days. BBC chiefs have commissioned independent research on quality in broadcasting from National Economic Research Associates (Nera), an American-owned group noted for its expertise in de-regulation and communications issues.

It was to Nera that Professor Alan Peacock went for independent evidence on whether or not it would be a good thing for the BBC to accept advertising.

The corporation, a little concerned that its own "independent" research might be thought to come from its natural supporters, is hedging its bets with a Nera contract. The questions to be considered: can economists get to grips with the concept of programme quality and what are the conditions that produce it?

The task will take Dermott Glynn, Nera's managing director, back to familiar territory. He is a former chief economist at accountants Peat Marwick


"Perhaps we were destined to become a banana skin republic."

Mitchell and was involved with that firm's government-sponsored inquiry into BBC efficiency. The report that followed led to accusations that Peats had turned in a "whitewash" easily used by the corporation to support its campaign for higher licence fees.

## Tunnel plot

My moles are throwing up details of how the Channel tunnel was won.

A skilful lobbying campaign helped steer the British and French governments towards their final choice of a rail link. The veteran publicist William Camp, who has a new political novel out today, was able to demonstrate that his hand had not lost its cunning.

Camp played a role in the campaign as adviser to Sir Robert Reid, chairman of British Rail. The railmen adopted a low-key programme —in two stages—to kill off threats from the Channel road link schemes.

First, the arguments in favour of a rail link were carefully implanted in the minds of the decision-makers. The railmen scented that things were going their way when the road link contenders began offering revised schemes which included railway facilities.

The second stage of the campaign to boost the railmens' case was to talk money to capture the attention of ministers and civil servants. They were reminded that the simple rail link would be a bargain at £2.6bn compared with costlier road schemes.

Camp, aged 59, remembered as the stormy petrel publicist of the gas and steel nationalised industries in the 1960s and the 1970s, is pursuing twin careers these days as a novelist and an adviser to a handful of business chiefs. He describes his new book—Stroke Counterstroke—as a black comedy.

The second stage of the Leading players during the Wilson governments on the political and industrial stages will derive much fun trying to identify themselves with Camp's outrageous characters.

Literary detective work leads me to suggest that the nationalised industry around which the action swirls "BMH" stands for British Heavy Metals.

Now that is interesting. Camp was in at the birth of the British Steel Corporation—only to leave four years later after a highly public row. Any connection?

## Genius

A reader tells me about her Welsh friend Gwynneth who went to Japan recently. They had problems pronouncing her name so she became "Gwynniss."

Everywhere she went she was greeted with tremendous respect. At a farewell reception her host said: "We've been so excited to have a famous author in our midst."

"What am I supposed to have written?" she asked—baffled.

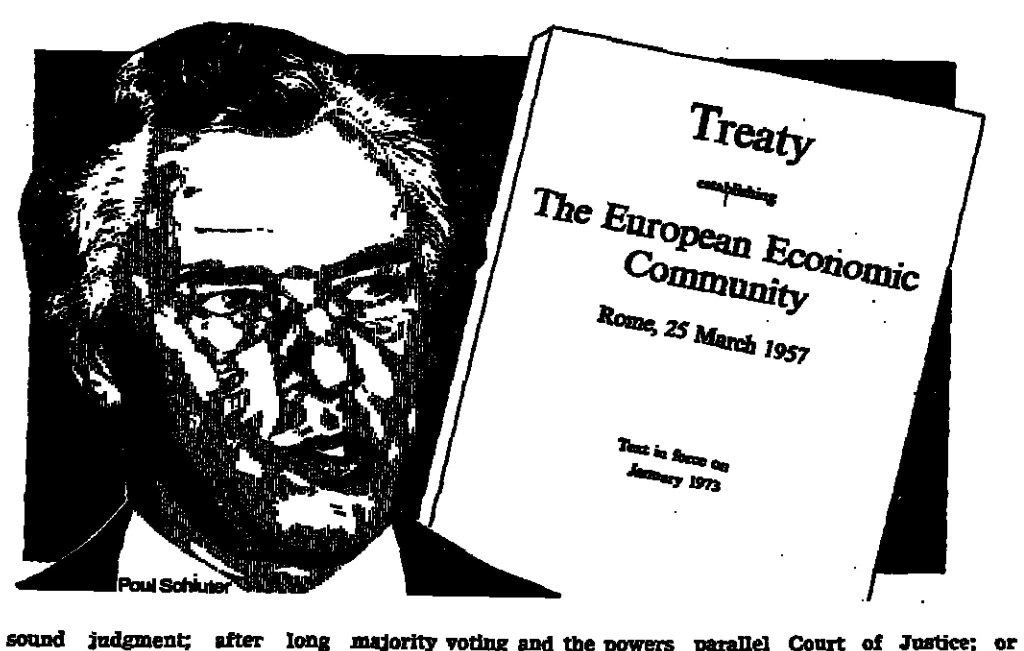
"Why—the Gwynniss Book of Records."

**Observer**

FOREIGN AFFAIRS: DENMARK AND THE EEC

# The ostriches have a point

By Ian Davidson



Poul Schluter

FOR MANY years France was the most awkward member of the European Community; General de Gaulle's legacy to Europe was a paralysis which lasted 10 years after his death. During most of the past decade, Britain added its own obstructionism, with endless complaints about the unfairness of the budgetary arrangements. Now that problem has been disposed of, and both Britain and France seem much keener than they once were to make a real success of the European enterprise. But, lo and behold!, here is Denmark, long notorious for foot-dragging and cussedness, which has become the standard-bearer of the principle of non-co-operation, and has moved to centre-stage as the arbiter of the future development (or non-development) of the European Community. It all seems a bit intolerable — especially as it is not, strictly speaking, the fault of Mr Poul Schluter's minority Danish Government.

Last month in Luxembourg, the 10 member states, together with new members Spain and Portugal, agreed on a package of reforms designed to streamline the Community's decision-making procedures, so as to achieve a fully-liberalised internal market by 1992. A number of articles in the Rome Treaty would be re-written or expanded to permit (and indeed encourage) more majority voting; and the European Parliament would be given a slightly bigger role in the policy-making process. In addition, foreign policy co-ordination would be strengthened, and the European Monetary System and technology co-operation would be formally recognised in the Community framework. The problem, foreseen from the beginning, was that this package needed to be ratified in 12 parliaments.

Last week the package was rejected, in advance of signature, by the Danish Folketing, and the minority Danish Government will now take the issue to the electorate in a referendum. There is some hope that the voters will support the Government. A recent opinion poll suggests that almost half the electorate (48 per cent) would vote in favour and only 38 per cent against. But there is obviously a risk that differential abstentions will reverse this result on polling day, since those who are hostile to increased majority voting in Brussels and an enlarged role for the European Parliament may feel more passionately about the issue. A Danish refusal to amend the Rome Treaty has always been on the cards; what is curious is how little consideration has been given in other Community capitals to what would happen next.

Over the past few days I have questioned a number of experts and government officials from a number of capitals. Their assessments fall into four widely different categories:

**The Ostrich-like.** We have not really thought what to do if the Danes vote the agreement down; we just hope it will not happen.

**The Dramatic.** *There will be an enormous crisis, and the Danes will have to leave the Community. If necessary, the other member states may force Denmark's hand, by adopting a new treaty which incorporates the Luxembourg agreement.*

**The Prosaic.** It will be a great pity if Denmark blocks the Luxembourg agreement for Treaty amendment, because it would represent real if modest progress. There will then be a great deal of shouting in the other member states, but no dramatic counter-moves. The only option will be to fall back on a less formal method of securing some of the same reforms, by pragmatic gentleman's agreements for more majority voting, as we discussed six months ago at the Milan summit.

**The Micawberish.** The worst is not inevitable, even if the Danes do vote No: Europe is much more resilient than the pessimistic "good Europeans" would have us believe. We may have to come to some arrangement with the Danes, but one way or another we shall certainly complete the liberalisation of the Community's internal market and strengthen our foreign policy co-ordination.

Oddly enough, the Ostrich-like posture may be the most sensible; there is certainly very little mileage in either the Dramatic or the Prosaic approaches. It is commonly said, in Denmark as well as in other member countries, that a Danish No vote in the referendum would be a sign that Denmark is on its way out of the Community. In the medium-term that may prove to be a sound judgment; after long years of stagnation, most of the other governments are now pretty firmly committed to giving the Community a new push forward, and it is hard to believe that they will indefinitely be thwarted by one of the smallest and least co-operative member states. Conversely, if it appears that there is a fundamental divergence of view over what the Community is for, it is hard to believe that in the end the Danes will not prefer to leave, despite the enormous financial benefits they currently gain from the common agricultural policy.

But it is one thing to foresee an eventual parting of the ways; quite another to imagine that the Danes will be so obliging as to leave without a struggle; or to pretend that the other 11 countries can force them to leave. It is the minority centre-right government in Denmark which is representing the referendum as a test of Denmark's continued membership in the Community, because it believes this will improve the chance of a Yes vote: for the moment, more Danes want to stay in the Community than support the amendment of the Rome Treaty. For the same reason, but with opposite motives, the opposition Social Democrats are insisting that this referendum is not about Danish membership, but only about majority voting and the powers of the European Parliament.

Legally and constitutionally, the Danes would be entirely within their rights to refuse to amend the Treaty; they signed what they signed, without great enthusiasm, and they are under no legal obligation to sign anything more. By the same token, there is no legal way the other member states can drive the Danes out. Mrs Thatcher at first resisted the idea of Treaty amendment, ostensibly becase it was going to be difficult to get the agreement of 12 governments and 12 parliaments, even if her gut instincts had more than a bit in common with those of the Danes; the difference is that, when push came to shove, she was not prepared to be marginalised from the Community process, and she decided to check her gut instincts.

Moreover, there is no escape route through a separate treaty between the other 11 member-states, incorporating the provisions of the Luxembourg package. The essential characteristics of the Community are its legislative, democratic and legalistic functions: policy agreements are binding on all member-states and enforceable through the Court of Justice. A parallel treaty would either imply a parallel Commission, a parallel Council of Ministers, a parallel Parliament and a parallel Court of Justice; or else it would imply completely unofficial and unenforceable negotiating procedures. But in neither case would it dispose of existing obligations and existing institutions under the Rome Treaty. Agreements reached between the 11 by majority voting would still require unanimity between the 12. Net result: legal, political and commercial chaos.

Superficially, the Prosaic approach looks more plausible than the Dramatic; in reality it is almost as unpromising. Who knows, it might have been possible at the Milan summit six months ago to secure some informal streamlining of the Community's decision-making processes, on the basis of a gentleman's agreement for more majority voting or simple abstentions where unanimity has hitherto been the rule or the practice.

But it is hard to imagine that any Danish Government would be able to accept, by the back door, reforms which had been formally rejected both by its parliament and by its electorate. This would only be possible, if the Danish opposition were to make explicity clear that its hostility was directed only at the increase in the powers of the European Parliament, not at majority voting; but this seems unlikely, because majority voting would sharply reduce the power of the Folketing over Denmark's Community policy.

Admittedly, the proposed Treaty amendments go a bit further than the pragmatic Milan. But the political effect of a No vote will be to strengthen then hand of those in the key Folketing committee who already have a firm grip on Denmark's Community policy and who are most opposed to the hand of those in the key gested. In those circumstances, the presumption must be that Mr Schluter's Government would be less accommodating on the majority voting issue than it might have been at Milan.

Everybody knows that the elimination of barriers to trade in goods and services between the member states will require much more majority voting than has been either customary or possible until now. But the issues at stake go far beyond the bare question of whether the Community will, 25 years late, succeed in living up to the minimum obligations of the Rome Treaty and its mis-named Common Market. The European debate of recent years has shown that most member states now believe, not merely that the Community must press forward, but that its relatively narrow economic and commercial terms of reference cannot be compartmentalised, but must be organically connected to broader aspects of the European enterprise: technology collaboration, defence collaboration, foreign policy, security. The challenge raised by the Danes is not just to the achievement of a true common market, nor even to the precise balance of power between national and European institutions, but to a broader political conception of what Europe is about. And it is not just the Community which is irritated with the Danes, it is also Nato; Denmark spends less on defence than any other European ally except Luxembourg, and its defence policy seems based on the proposition that it is free to flaunt its anti-nuclear sensibilities in peace-time, in the hope that others would save it in wartime.

Even if the Schluter Government carries the day in the referendum, this underlying challenge will not have been resolved. But let us take one thing at a time, put our heads firmly in the hand, and hope at least that the Danes will vote Yes.

## Lombard

# Great oil-sterling trade-off

By Samuel Brittan

IF OIL represents 5 per cent of the British GNP (there are slightly different ways of calculating the percentage) and if oil prices fall by 30 per cent there must be a once-for-all loss to British real income of about 1½ per cent or a little more than half a year's normal growth. No treasury simulation is going to persuade me otherwise.

Like most macroeconomic changes it is not the end of the world and will make much less difference to the welfare of individual Britons than quite small changes in their personal circumstances.

But I have left out one negative factor for the UK. There has to be a reduction in the real exchange rate — provisionally estimated by the London Business School at 6 to 9 per cent to sell more British products overseas, or to import less, to offset the lower proceeds from oil exports. This could double the impact on British real income, although the effect need not come overnight.

There are, of course, offsets acting in the other direction. The biggest is the gain in higher world activity and lower world inflation — nearly 2 per cent less inflation and more than 1 per cent extra growth in the first full year, judging by conventional models which probably understate the benefits.

Will the beneficial international effects spill over sufficiently on the UK to offset the primary loss? My guess — which is only slightly better than yours—is that it would eventually, but not in the first full year.

Another possible offset would be a boost to real demand whether arising from the UK fiscal impact or the effect of greater "competitiveness" especially against the D-mark, where the pound now stands at a level below what the CBI could have hoped for in its wildest dreams. Alas, I am too long in the tooth to count on this kind of gain before the event.

What has actually happened so far? The dollar oil price of Brent fluctuated quite a lot in 1985 but if you take an average of $28 per barrel you will be in good official company. This compares with about $18.50 last Friday, giving a fall of just over 30 per cent.

The Autumn Statement last November was based on the assumption that the sterling index "will not change much from its average level since March 1985" — that is remain at about 80. On Friday the sterling index was just over 74, a drop of 7½ per cent.

This takes us right to the middle of the depreciation estimated to be necessary by the LBS on the asumption that it is not eroded by higher internal British costs and prices.

This takes us to the impact of recent events on inflation. A 30 per cent fall in the oil price at a given exchange rate tends to reduce the UK general price level by 1 to 2 per cent below what it would otherwise be, depending on estimates about passing through both in Britain and abroad. Let us settle for 1½ per cent.

How about the unfavourable impact on inflation from sterling depreciation? On conventional models a 10 per cent depreciation adds 2 to 3 per cent to the price level. So the 7½ per cent depreciation so far experienced would add at least 1½ to 2 per cent to the British price level. Thus far there is nothing much in it, although the balance is slightly on the unfavourable side on the estimates I have used. There are however big dangers on the inflation front if sterling falls much further and oil prices do not.

Suppose that oil prices do tumble further. Then very roughly for every dollar that the Brent price falls, sterling cannot drop by more than ½ to ¾ per cent without damaging the inflation outlook.

Because of the inter-relation between national and international markets in all goods and services and between products and labour markets, the ultimate inflationary effect of exchange rate depreciation is much bigger than the conventional models show. I have used the conventional models partly because there are still so many uncompleted effects of earlier exchange rate changes in both directions still in the pipeline. Add to the argument the tell-tale signs that US inflation is on the upturn—and thus likely to transmit itself especially to countries the currencies of which depreciate against the dollar — and there is reason to take very seriously any major further depreciation of sterling.

# Letters to the Editor

## The nation's spending

*From Mr T. Arthur*

Sir,—Mr A. Sutherland (January 21) argues that public spending including transfer payments as a proportion of GDP is meaningless propaganda. I have little doubt that he is right, in the sense that very few aggregate macro economic indicators are much more, but is the reason he advances valid?

I assume that one of the main purposes of this particular indicator is to say something about "the role of the state" which Mr Sutherland concedes is worth arguing about.

One measure of this would be the total tax take relative to overall activity. Current pure taxation however is not enough; government can claim resources via inflating and borrowing, both of which are taxation by another name (deferred in the latter case). A good proxy for this adjusted tax take would be government spending (including transfer payments).

Another way of saying the same thing is to ask what is so special about transfer payments. All government spending is a transfer payment of one form or another. Whether the payment is gratis or in recognition of some supposed service matters little; the damage is done when the tax is levied and it is not repaired by any form of distribution (except that which returns the tax to the payer).

There are those who extend this argument further and state that the GDP itself should be measured as only that part of private sector production which remains in private hands! This, however, like all other conventional attempts to measure the role of the government fails for the simple reason that the government could direct the whole of the economy while owning and spending next to nothing; I believe this version of dictatorship is called fascism!

T. G. Arthur.
*17 Highfield Road*
*Edgbaston, Birmingham*

## Market sizes compared

*From Mr C. Woods*

Sir,—A great deal of attention has been focused on the market opportunity for UK firms that is offered by the Channel tunnel with its projected capital cost of £2.3bn. By comparison the size of the well established market offered by the UK oil and gas industry is not nearly as widely appreciated. For example, in 1984 this industry placed orders worth £3.6bn. Put another way, the development of the UK's oil and gas reserves offers an opportunity to UK companies which is equivalent to building a round one and a half Channel tunnels a year. What is more, recent analysis suggests that this level of activity will continue well into the 1990s.

Charlie Woods.
(Offshore Industries Executive)
Scottish Development Agency,
*10 Queen's Rd, Aberdeen*

## Private health care

*From the Managing Director, Private Patients Plan*

Sir,—On January 8, at the invitation of the chief executive of American Medical International, I attended a reception where he made it known that he thought it undesirable for insurers to debate with providers of private health care — through the Press—their differing views of the market. It was therefore with some interest that I read the report by Robin Pauley of his interview with Mr Burleson (January 22) where he commented about his views and the insurance cover offered by PPP. I read what he had to say with even greater astonishment when I found how unrelated it was to fact in certain important respects.

Mr Burleson alleged that PPP "will reimburse 100 per cent for in-patient work but nothing for the same procedure for an out-patient, even though it is cheaper." That is nonsense. If a company wishes to insure its employees or an individual wants to insure himself or his family with PPP for out-patient surgery or such out-patient care as diagnostic procedures, eg brain and body scanning, or for radiotherapy, or chemotherapy, these are all fully covered. For instance, our Family Health Plan clearly states that we will give a full refund of all hospital, surgeons' and anaesthetists' charges for surgical procedures received on an out-patient basis in any hospital, and these facts were perfectly ascertainable by Mr Burleson.

I strongly suggest that if Mr Burleson really means that he is considering entering the insurance market because of the limitation of cover that he believes is offered by the traditional insurers, he should at least attempt a better understanding of what that cover actually is.

His other reason for dissatisfaction with the traditional insurers, as he calls us, is that he claims we have made no attempt to enlarge the total market. The insurers in general have financed a considerable part of the growth of the private health care market in this country over the past few years. Not only is the total of people subscribing to medical insurance in the UK growing quite quickly but, so far as PPP in particular is concerned, we have sought to extend the total market beyond its traditional scope by introducing, several years ago, a low cost plan which would encourage the market to extend downwards through the socio-economic pyramid and, secondly, by introducing more recently the Retirement Health Plan which aimed particularly to make medical insurance available to elderly people who up to then had been almost entirely excluded from being able to subscribe to medical insurance after they reached the age of 65. Both of these low cost plans have been very successful in developing business that is entirely new to the market.

Moreover, the traditional insurers have, through their sizeable expenditure on marketing, enlarged the total market by bringing in many people below the age of 65 in the socio-economic groups traditionally covered by medical insurance.

It is very misleading to suggest that there has been more effort put into gaining subscribers from existing insurers than into gaining new subscribers. What Mr Burleson seems to ignore completely is that there has been a worrying trend towards the position where almost as fast as the provident associations have added to their subscriber populations they have been losing subscribers because of the increase in subscriptions due to the cost-increasing factors outlined so accurately by Lisa Wood in her article in your survey of January 22.

While I agree with Mr Burleson's view that it is preferable for us not to debate the private health sector through the media, I felt it necessary to correct his comments.

Roy Forman.
*Eynsham House,*
*Tunbridge Wells, Kent*

## Patently absurd

*From Mr M. Sparham*

Sir, — I was interested to see your article "Patently absurd" (January 21) about the Government's proposal to turn the Patent Office into a Quango. Although we accept there is scope for improving the service provided by the Patent Office, the argumentation given by the Controller General and Assistant Controller could apply equally as well to improving the office within the civil service and are unconvincing as reasons for hiving off.

The Government, in its announcement, gave as one of its reasons, the need to free the Patent Office from the traditional civil service framework, but it has not said what it means by that statement or in what way the civil service inhibits the kind of improvements that are necessary. The major problem the Patent Office has suffered from, over the past few years, has been the impact of arbitrary staff ceilings and cash limits which are government imposed and are certainly not "traditional." The Government has within its own power the ability to improve the service of the Patent Office more quickly. The threat of hiving off will make it more difficult to provide a service over the next few years as staffings for the new body will have to be recruited and trained and negotiations on terms and conditions will have to take place. The hiving-off is irrelevant to the needs of the Patent Office and the proposal is indeed "patently absurd."

Mike Sparham.
(Assistant Secretary, Society of Civil and Public Servants, Executive and Directing Grades.)
*124-30, Southwark St, SE1.*

## Wonders of technology

*From the Financial Director, RK International Machine Tools*

Sir, — What wonders of modern technology can work on behalf of British business—if only our bureaucrats would let it.

Some 12 months ago British Telecom supplied this company with a new telephone system, which the manufacturer advises us is capable of onward connection of the calls to other numbers should we wish, eg, at weekends. The system works, we have proven it. BT, however, has since discovered that such use is prohibited under the terms of its licence.

Why? Who loses out if a customer phones us and all the time he is connected to our switchboard he is paying for a call, while we are simultaneously paying for a call to one of our staff?

The customer is achieving his aim of speaking to the company. We are achieving our aim of 24-hour availability to our customers. BT is obtaining extra revenue.

Someone, somewhere, however, has (if BT is not misleading me) decreed that this should not happen. Why?

J. Larkman.
*Europa Trading Estate,*
*Fraser Road, Erith, Kent.*

# FINANCIAL TIMES

Monday January 27 1986



Terry Byland on Wall Street

## Optimists back in the saddle

LAST WEEK'S successful rebound by the Wall Street stock market has strengthened the case of those analysts who refused to panic on Black Wednesday, January 8, when the Dow Jones industrial average plunged by nearly 40 points.

Even after that setback, Prudential-Bache and others argued that a downward correction to around 1,480 on the Dow index was perfectly acceptable, and probably necessary. But after the successful rebound from the 1,500 level, the Wall Street optimists are back in the saddle.

The turning point has been the sudden, renewed slide in oil prices. After some confusion when the market chose to concentrate on the bearish implications for the banks, analysts are now pointing to the bullish implications for industrial stocks of lower world energy prices.

Falls in bank stocks last week of around 7 per cent outpaced those in the wide range of industrials. Losses in aerospace, paper, heavy machinery or electrical equipment stocks were trifling. Significantly, banks lost more than oil stocks, which dropped about just over 5 per cent.

The stock market was badly upset at mid-week by the doomsday view that collapsing oil prices might provoke an all-out crisis in the US banking system. But nerves steadied, and Wall Street took the view that the damage caused by lower oil prices would be borne by bank earnings – and stock prices.

But the lower oil prices will underpin Wall Street forecasts of higher corporate profits this year. At Merrill Lynch, for example, predictions that the Standard & Poor's 500 stocks will show an earnings gain of around 14 per cent in 1986, against a rather smaller gain last year, have been confirmed.

Leading US stock indices

| | Jan 24 | % off peak |
|---|---|---|
| DJ Indust Av | 1,529.93 | -2.34 |
| S & P 500 | 206.43 | -3.7 |
| Nasdaq Comp | 325.85 | -0.5 |

Wall Street's profit forecasts for 1986 are standing up well to the reports from the real world, in the form of the final 1985 quarter figures from US corporations. Results from the pharmaceuticals industry have endorsed expectations of the benefits of a lower dollar – and last week's dip in the US currency to below Y200 can only emphasise the point.

For those convinced that the past three weeks have seen nothing more alarming than a technical shakeout, the dip in stock prices will feed further bullishness. The S & P 500 stocks are now trading on earnings ratios of only about nine times prospective 1986 earnings, and sometimes much less.

Defence stocks, which have been badly battered by expectations that defence contracts will, at best, be harder to come by as further cuts in the federal deficit are sought, are at ratios of six to seven times prospective earnings. Retail issues, such as Sears and K mart, are well short of a nine-times prospective price earnings ratio.

The view that the stock market is still moving into a year of higher corporate earnings survived a significant test when IBM announced its results last week. Fourth-quarter earnings of $4.38 from IBM were well up to market forecasts, and the wave of selling that followed the results was not unexpected. Big Blue's stock has been recovering smartly, and was only a shade under its all-time peak when the results came.

IBM has one further opportunity to upset the market within the next few weeks, when it will issue its annual report to stockholders. Last week's earnings statement sounded unenthusiastic about the outlook for the opening quarter of this year.

IBM's profits outlook was a significant force in the 1985 stock market, which responded sharply to progress reports from the boardroom of Big Blue. But both the IBM stock price and the stock market have yet to respond to a dollar that may be headed below Y200.

The broader stock market, untroubled by profit-taking in IBM, or by the dive in money centre banking stocks, has continued to display significant underlying confidence. After reaching a new peak barely a week after the massive shakeout in the Dow industrials, the Nasdaq over-the-counter composite index has traded solidly around that range. Turnover in this market has been good, in that it has been solid rather than spectacular, showing little sign of the overspeculation by private investors that often indicates a terminal phase in the market.

"The market is still regrouping," as Shearson Lehman Bros puts it. But the list of those taking a positive view of the near-term outlook has grown significantly as oil prices have fallen.

FRENCH BANKING GROUP PREPARES FOR RETURN TO PRIVATE SECTOR

# Suez plans FFr 1.8bn funding

BY DAVID MARSH IN PARIS

COMPAGNIE FINANCIERE de Suez, the French state-owned financial and industrial group, will today announce a record FFr 1.8bn ($230m) equity-raising and stock-conversion package designed to prepare the way for likely denationalisation after the March general elections.

The funding will take the form of a one-for-six rights issue, finally agreed with the French Government last week after several weeks of preparation. This will give private shareholders a non-voting stake of about 20 per cent in the Suez capital, although the state will retain complete control of voting shares.

The package, in which the state will be selling to private investors its rights to subscribe the capital increase, comes as several other banking and industrial groups taken over by the state in 1982 are actively preparing denationalisation moves.

The right-wing opposition, which according to opinion polls will win the March 16 poll, has promised to privatise all the groups – including Suez – nationalised by the Socialist Government in 1982, as well as state-owned banks and insurance companies.

However, the desire of state-owned companies to make use of the investment appetite of the buoyant Paris Bourse, as well as the increasing pragmatism of the Socialists over denationalisation, appears to make gradual flotation of state holdings inevitable, regardless of the election outcome.

The main motivation behind the Suez launch is to cash in on current bourse demand in order to stock up equity resources as a precondition for eventual denationalisation. Many French banks, generally under-capitalised by international standards, believe that their credit rating would suffer if they were no longer backed by a state shareholder.

The Suez transaction, involving the issue of 2.16m new non-voting preference shares (*certificats d'investissement*, or CIs) at a basic price of FFr 825 ($109) each, will be announced by Mr Jean Peyrelevade, the Suez chairman.

The operation, to be carried out in stages over the seven weeks before the elections, marks the first time a nationalised group has made a rights issue, as well as the biggest overall share capital package ever made through the Paris Bourse.

A significant part of the package is planned to be sold abroad through banks in the UK, North America, Switzerland, West Germany, Belgium/Luxembourg and Japan.

A prospective FFr 700m of the new equity is planned to come through conversion of non-voting loan stock (*titres participatifs* or TPs) issued in February 1984 by the Suez group's banking arm, Banque Indosuez. Six CIs are to be offered in exchange for five TPs, quotation of which has been suspended on the bourse for a fortnight, but is due to resume on Wednesday.

The bulk of the CIs, planned at FFr 1.1bn, will be issued through subscription rights for existing Suez shareholders. The state, which currently owns 92.3 per cent of total Suez shares, will sell its rights at FFr 75 each. The remaining shares are held by subscribers to a previous issue of 1m CIs last summer at FFr 580, which have lately been trading on the bourse at around FFr 1,100.

The Government will also use its rights to create the CIs to be exchanged for the existing Banque Indosuez TPs. Although details will depend on the outcome of the TP exchange offer, the overall effect of the deal will be to increase the Suez holding company's nominal share capital from FFr 1.95bn to FFr 2.27bn and to increase the group's capital resources from FFr 7.2bn to FFr 9bn.

The Suez issue comes as the nationalised electronics and energy group Compagnie Générale d'Electricité and the aluminium concern Pechiney are putting together equity-raising deals in Paris. Other state owned companies such as the Thomson electronics group and the Paribas financial concern are making no secret of their preparations for denationalisation, while Rhône-Poulenc, in chemicals, has recently said it is in favour of an eventual share flotation.

## Montedison to raise L551bn in effort to cut debt burden

BY ALAN FRIEDMAN IN MILAN

MONTEDISON, Italy's leading chemicals group, announced plans at the weekend for its long-awaited L551bn ($330m) rights issue, designed to strengthen share capital and reduce the Milan-based group's heavy debt burden.

Mediobanca, the merchant bank, is expected to lead-manage the Montedison issue, which will probably come to the bourse in April. The effect of the issue will be to increase share capital from L1,110bn to L1,661bn. Even after the increase, however, Montedison's debt of about L4,500bn will still represent 2.7 times the group's equity base.

The Montedison board, after a three-hour meeting on Saturday, said group net profit for the first 10 months of last year totalled more than L70bn. That is the first positive result for a decade. For the whole of 1985, consolidated net profit is likely to be more than L100bn on turnover of L14,200bn. A dividend payment is also expected for 1985, the first for 10 years.

Montedison also said it planned investments this year for more than L1,000bn, to be "largely self-financed."

The rights issue will involve the offer of 400.7m non-voting savings shares at a nominal price of L1,000 each. Shareholders and holders of a 1984-91 convertible bond will be able to subscribe eight new savings shares for every 25 shares or bonds already held.

In addition, the company will issue 150.3m ordinary shares, available to bond and shareholders on a three-for-25 basis and also priced at L1,000 a share.

Mr Gianni Varasi, the new Montedison vice-president, whose PAF minesweeper and paints company last month became the single largest shareholder with a 10 per cent stake, is expected to subscribe for ordinary shares so as to avoid a dilution of his holding.

## IRA guns seized near Irish border

By Hugh Carnegy in Dublin

IRISH SECURITY forces seized a large quantity of guns and ammunition which they said was destined for the IRA. They also detained five people in three dawn raids within 30 miles of the border with Northern Ireland yesterday.

The arms seizure came amid signs of a continuing split among Unionist MPs over their strategy in the wake of last week's by-elections in which they retained 14 of their 15 Ulster seats.

Yesterday's arms seizure was the biggest in the Republic since the capture of the fishing boat Marita Anne laden with weapons off the coast of County Kerry in October 1984. Reports indicated that almost 150 rifles and hand guns were taken from three houses under surveillance in County Sligo and County Roscommon.

Members of special task forces sent to the border by Dublin after the signing of the Anglo-Irish agreement last November were involved. The arms seizure is the kind of security success that both Governments hoped the accord would yield.

The loss of so many weapons is a blow to the IRA Provisionals. It follows a sharp fall in support for Sinn Fein, the IRA's political wing, in last week's by-elections.

In the four border seats Sinn Fein contested, its share of the vote fell by nearly 25 per cent compared with the 1983 general election. The swing helped Mr Seamus Mallon of the Social Democratic and Labour Party (SDLP) to capture Newry and Armagh from Mr Jim Nicholson of the Official Unionist Party.

Dr Garret FitzGerald, the Irish Prime Minister, said yesterday that the swing to the SDLP, which supports the Anglo-Irish accord, proved that the agreement had already diminished support for the IRA in the nationalist community. "That is enormously encouraging to both governments," he said.

Although they lost one seat, the other 14 Unionists were returned on their platform of outright rejection of the agreement. The overall Unionist vote in the 15 constituencies was slightly increased.

While both Governments say they will stick by the accord, there are signs that London is keen to bridge the gap with the Unionists.

● Police in Northern Ireland were last night still hunting Mr Owen Carron, the Sinn Fein candidate for Fermanagh and South Armagh, who had been allowed bail – on charges of possessing a rifle and ammunition – in order to fight the election. He did not return to Crumlin Road jail in Belfast on Saturday as ordered.

## UK minister faces interest conflict

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

MR PAUL CHANNON, Britain's new Trade and Industry Secretary, will have to pass one of his first important decisions to another minister in his department because of a conflict of interest arising from his membership of the Guinness family.

Over the next few weeks, the Department of Trade and Industry will have to decide, on the recommendation of the Director-General of Fair Trading, whether to refer the £2.2bn ($3bn) bid by the Guinness brewing company for Distillers, the whisky group, to the Monopolies and Mergers Commission.

A complication is that before the Guinness bid was announced a week ago it was decided not to refer to the commission a bid for Distillers by Argyll, the UK supermarkets group. Mr Channon is a shareholder and beneficiary of family trusts with shareholdings in Guinness.

On his appointment, he told Mrs Margaret Thatcher, the Prime Minister, that he would leave it to a minister of state in the department to exercise whatever ministerial responsibility might be necessary over a referral.

Such conflicts of interest have arisen in the past because of similar family or local links.

However, Mr Channon's predicament comes on top of opposition criticism of the involvement of Mr Michael Howard, the corporate and consumer affairs minister, with the Financial Services Bill, because of his membership of Lloyd's, the London insurance market.

Mr Howard ceased all trading activities as an underwriter last September when he took his present post. But he remains a Lloyd's member, partly because he may face liabilities on contracts arranged before last September.

Labour MPs have argued that Mr Howard should not be in charge of the bill, which sets a new supervisory framework for financial markets, since the position of Lloyd's, at present excluded from the bill, is highly contentious.

Although the official ruling has been that Mr Howard has fully declared his interest, his position may be questioned again by MPs

Channon's credentials, Page 4

## Tough week ahead for £ and rates

Continued from Page 1

of pressure from several oil producing states for cuts in production to halt the slide in oil prices.

Falling oil prices were at the root of sterling's sharp fall on the foreign exchange markets and the subsequent rise in base rates from 11½ per cent to 12½ per cent on January 9.

Iran is reported to have halved its oil production until further notice and Egypt announced that it would cut its production from 250,000 b/d to 150,000 b/d. The Gulf oil state of Oman devalued its currency by 10.2 per cent to try to stem the growing budget deficit caused by falling revenues because of lower oil prices.

The United Arab Emirates' Oil Minister, Dr Mana Said Otaiba, a member of the special Opec committee, with Kuwait, Indonesia and Iraq under the chairmanship of Venezuela, said the oil industry was passing through the most critical stage in its history. "But there was still time for Opec and non-Opec oil producers to co-ordinate policies to prevent further price deterioration," he said.

Sheikh Ahmed Zaki Yamani, the Saudi Oil Minister, has been applying pressure to non-Opec states, such as Britain by increasing production to try to force them to agree to production ceilings. The result is that oil prices, more than $30 a barrel at one point in 1985, were around $18.50 at the end of last week. Sheikh Yamani threatened that the price could fall below $15 without co-ordinated action.

The British Government, enduring intense political pressure last week, decided to stave off a further rise in interest rates. It let sterling take all the strain, losing 4 per cent of its value, and put on a brave face by pointing out that there were benefits as well as problems from falling oil prices.

But the Government was also quick to stress that it would act if its strategy against inflation was threatened by a further sharp drop in sterling.

City of London experts at the weekend still thought a rise in base rates to 14 per cent was likely soon.

In addition to the domestic political crisis and oil prices, the US dollar also has a big impact on sterling's fortunes. On Friday, for example, the falling pound stabilised briefly – as a result of a weaker dollar – before Mr Leon Brittan resigned as UK Trade and Industry Minister.

The markets will be paying very close attention this week to tomorrow's State of the Union speech by US President Ronald Reagan, and to the evidence on domestic monetary policies from Mr Paul Volcker, chairman of the Federal Reserve Board, to a House of Representatives committee.

● North Sea exploration might halt if the price of oil continues at its present low level, Mr Chris Greentree, chief executive of Lasmo Oil, one of Britain's largest independent oil companies, said on television last night.

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | F | 10 | 50 | Dubrovnik | S | 7 | 45 | Malaga | S | 14 | 57 | Salzburg | Sn | -1 | 30 |
| Akrotiri | S | 17 | 63 | Faro | S | 13 | 55 | Malta | R | 12 | 54 | Seoul | S | -6 | 21 |
| Algiers | F | 12 | 54 | Florence | S | 6 | 43 | Manila | – | – | – | Singapore | F | 31 | 88 |
| Amsterdam | S | 3 | 37 | Frankfurt | S | 2 | 36 | Miami | F | 14 | 57 | Stockholm | Sn | -4 | 25 |
| Athens | F | 13 | 55 | Funchal | F | 16 | 61 | Milan | S | 9 | 48 | Strasbourg | F | 2 | 36 |
| Bahrain | S | 19 | 66 | Geneva | C | -1 | 30 | Moscow | C | 3 | 37 | Sydney | F | 23 | 73 |
| Bangkok | – | – | – | Gibraltar | S | 15 | 59 | Munich | C | -2 | 28 | Taipei | – | – | – |
| Barcelona | F | 9 | 48 | Guernsey | C | 6 | 43 | Nairobi | S | 28 | 82 | Tangier | S | 15 | 59 |
| Beirut | – | – | – | Helsinki | Sn | 0 | 32 | Naples | S | 9 | 48 | Teheran | – | – | – |
| Belgrade | S | 4 | 39 | H. Kong | C | 15 | 59 | New Delhi | S | 19 | 66 | Tel Aviv | S | 18 | 64 |
| Berlin | F | 0 | 32 | Innsbruck | F | -1 | 30 | New York | R | 7 | 45 | Tenerife | F | 19 | 66 |
| Biarritz | C | 7 | 45 | Inverness | F | 4 | 39 | Nice | S | 11 | 52 | Tokyo | C | 5 | 41 |
| Blackpool | S | 2 | 36 | Istanbul | R | 6 | 43 | Oporto | S | 11 | 52 | Toronto | C | -1 | 30 |
| Bordeaux | C | 5 | 41 | Jersey | C | 6 | 43 | Oslo | S | -1 | 30 | Tunis | F | 12 | 54 |
| Brussels | S | 11 | 52 | Jo'burg | F | 23 | 73 | Paris | S | 3 | 37 | Valencia | S | 11 | 52 |
| Budapest | C | 1 | 34 | Las Palmas | C | 19 | 66 | Prague | Sn | -1 | 30 | Venice | S | 4 | 39 |
| B. Aires | – | – | – | Lima | – | – | – | Reykjavik | C | -3 | 27 | Vienna | F | 2 | 36 |
| Cairo | S | 19 | 66 | Lisbon | S | 9 | 48 | Rio de J'o | – | – | – | Warsaw | Sn | 0 | 32 |
| Cape Town | S | 24 | 75 | Locarno | S | 6 | 43 | Rome | S | 9 | 48 | Zurich | Sn | -3 | 27 |
| Caracas | – | – | – | London | S | 4 | 39 | | | | | | | | |
| Casablanca | S | 15 | 59 | Los Angeles | C | 13 | 55 | | | | | | | | |
| Copenhagen | C | -1 | 30 | Luxembourg | F | 0 | 32 | | | | | | | | |
| Corfu | F | 8 | 46 | Madrid | S | 5 | 41 | | | | | | | | |
| Dublin | C | 8 | 46 | Majorca | F | 10 | 50 | | | | | | | | |

*Readings at mid-day yesterday.*

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

## Japan may cut discount rate

Continued from Page 1

er US rates, was traditionally held to weaken the yen.

The evidence since the decisive September Group of Five meeting in New York, however, is otherwise. The yen has gained against the dollar by more than 20 per cent in the face of a long-term capital outflow running at $5bn-$8bn a month and interest-rate differentials of 3 to 4 percentage points.

The impact on the domestic economy of even lower rates will presumably be beneficial, although loan demand in Japan is now so light that dramatic results are unlikely.

## Brussels plan to axe food stores

Continued from Page 1

cording to the experts, a tax of 6 per cent would be necessary to cover the full costs of storage and export subsidies.

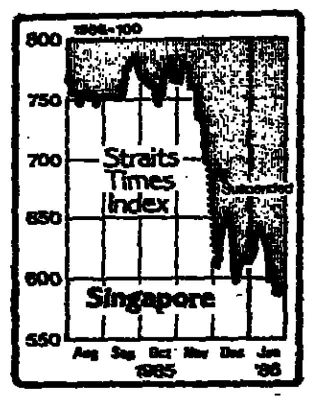
But it may emerge that even a 3 per cent levy will prove too high to be politically acceptable in a year which promises national elections in France and the Netherlands and regional polls in West Germany.

Britain is certain to object to aspects of the provisions for quality standards and the exemption of small farmers from the new tax. Mr Michael Jopling, the UK's Agriculture Minister, has already warned that he will oppose moves that discriminate against larger farmers.

THE LEX COLUMN

# An outcast of the islands

The transformation of Mr Tan Koon Swan from a rich and successful politician into a prisoner on S$20m bail is as cautionary a tale as today's securities markets can relate. But the investment moral is more compelling than any tale of human frailty or hard luck: the Singapore drama, which has been playing valiantly to half-empty houses since the collapse of Pan-Electric in November, has every sort of lesson for the demand-led revolution in international equity investment – to say nothing of the banks' thirst for loan assets in the solvent tropics. That the reverberations of the Pan-Electric affair and Mr Tan's arrest have been confined to the Singapore market and its equally gaudy sister in Kuala Lumpur may be more a cause of worry than of joy.




It is all very well to argue that a general fall in stock prices was on the cards even without the suspension of trading on both exchanges last month. International fund managers were fairly sharp in discounting the effect of weak commodity prices in Malaysia and Indonesia; or the impact of an overvalued currency on entrepot trade, retailing or property prices in Singapore.

But there were few who could have predicted that a thoroughbred economy such as Singapore's, which had grown at steroid rates since time out of mind, would not so much slow up as break down on the track; and that the general collapse in asset values and earnings would leave suddenly unprofitable companies with nothing but artificially ramped shares as collateral with which to fund their businesses. This last problem was much exacerbated by political attempts to redistribute wealth in Malaysia in favour of the Bumiputra community, drawing every sort of ingenuity from Chinese proprietors to inflate value in second-rank Malaysian stocks quoted in both centres.

But where banks were jumping over one another to pick up dubious commercial assets in securities trading, anything could happen; and there is every evidence that forward share contracts were unravelling at panic speed even before the Pan-Electric default. The best guesses are that outstanding contracts amount to about S$800m, with some element of double counting; but given the lack of documentation on such trades, let alone the tendency to late settlement at the best of times, the figures may not mean much.

What is clear is that these liabilities, which are being borne by the Singapore brokers as agents, will work their way through to the banks that lent to them on the basis of collateral which may at times have consisted solely of shares at less than the loan's value.

Since the index stocks alone have fallen by a third in Kuala Lumpur and a quarter in Singapore since the Pan-Electric story broke, this would not be an inviting prospect even without the collapse in value of the quoted Pan-Electric companies; although, ironically, the banks make up such a proportion of the market that their 1985 provisions could bring the market earnings base sufficiently low to permit actual growth next year. As it is, the smart money in the US is wondering whether Singapore alone can be allowed to go on bucking the general world stock-market trend; and that the way is up even from a price/earnings multiple for the market of 16.

Yet for all the sophisticated international comparisons of a stock such as Singapore Airlines, the fact is that its flotation was sandbagged by the market's fall from grace; and it is still not clear in what sort of health, if at all, the Singapore equity market will survive. It could be that the Singapore banks, which have been admitted to the exchange, will take over the brokers to whom they are exposed; but the banks have little experience of the share markets, as has been amply demonstrated, and the whole exercise could give a new meaning to the phrase Chinese Wall.

Foreign brokers are showing no great eagerness to pick up seats, or at least not without some comfortable professional indemnity cover. As for the Monetary Authority of Singapore, its transformation into a full-time exchange policeman through statute may not be enough to convert an off-course betting shop for Malaysian stocks into an independent source of capital. It could even be argued that to have a stock market at all was an aberration in such a centrally planned economy as Singapore.

### Helicopter arbitrage

The exponents of risk arbitrage usually represent that activity as the scientific weighing up of percentages, the odds attributed to various possible outcomes in a corporate battle. For a self-respecting arbitrageur to get involved, the possible results generally need to be pretty clear cut, and there needs to be a reasonable safety net in the market, based on calculation of the company's fundamental value.

Where Westland is concerned, neither of these conditions seems to hold. Although both the European and Sikorsky factions have been picking up substantial clumps of shares, the presumption must still be that neither will go to the length of making a full bid. For each antagonist, the sole justification for driving up the price to such spiralling heights appears to be frustration of its opponent. Neither can allow the other a clear run to 50 per cent of the votes; it is impossible to make a reasoned gamble on the company's fate if the forthcoming reconstruction is stymied.

In these circumstances, the premium value of the shares ostensibly may well not last beyond the ballot on this week's revised rescue package. Except for members of one or other concert party, to buy into Westland at this stage, and likely price, appears to offer a reward only if the shares can be rapidly handed on to someone who needs them. That is no doubt why some canny institutions are reported to have both bought and sold, last week. But it seems a bit late for new players – even the redoubtable Mr Boesky – to have any confidence in taking their turn.

SECTION II – COMPANIES AND MARKETS

# FINANCIAL TIMES

Monday January 27 1986



EURONOTES AND CREDITS

## Belgium breaks new ground with low-margin issue

BELGIUM is expected to break new ground in the Eurocredit market, when it mandates a new $500m credit bearing interest at a mere 1/16 per cent over London interbank offered rates (Libor) for at least part of its life, writes **Peter Montagnon in London.**

*Never before has such a low margin been offered by a sovereign borrower*, but competition for mandates, more efficient funding techniques, and the growth of secondary market trading in loan assets, have made thinkable terms that would have been *laughed out of* court a couple of years ago.

The starting point is the funding techniques now used by many banks which mean that Libor, like the US prime rate before it, has lost its signficance as a benchmark low for cost of funds. On paper at least Libor has a built-in profit element which means banks can earn more than just the margin.

That may explain part of the trend, but there is a clear difference between the disappearance of prime as a benchmark and what is now happening to Libor. Access to below-Libor funds is not universal, being confined generally to larger banks with expertise in swaps. That means the closer the terms on credits get to Libor, the fewer the number of banks that will find them viable.

Also, although there may well be funding profit in a credit as well as a margin, it accrues in most banks to the treasury side of the business, leaving the lending side with just the margin to show when its profits are totted up.

So why will some banks still contemplate deals on such fine terms? Belgium is not the only example – still due to be mandated shortly is the $250m credit for Standard Life Assurance, regarded as a rare and exceptionally good credit that could command a margin of ⅛ or better. One answer to this question lies in the development of transferability which allows banks to sell such credits out in the secondary market.

A Belgian credit can be sold out in the *short-term loan market, for* example, at or around Libor, allowing banks to pocket the margin and see the loan off their balance sheet. That can substantially boost overall return on capital.

Particularly important in this respect are US accounting rules which make it possible to remove from country lending-limit totals any *loan that is actually sold* on. However this is not possible for a credit commitment such as an underwriting position in a Euronote facility. Moreover, when such deals are sold on, the front-end fees can be added immediately in full to earnings rather than amortised gradually over the credit's life.

Both the Belgian credit and the deal for Standard Life are likely to be fully drawn, and bankers believe *the prospect of being able to sell* them down is one reason why the margins are likely to turn out so low. But rate-cutting to these levels is still likely to prove a controversial move

None the less, terms on other deals reaching the *market remain* fine. Such was the case with Sweden's proposals to halve its $4bn facility and renegotiate the remainder announced on Thursday. Initial market verdict was that the new terms, involving a commitment fee *of 5 basis points rising later to 8¼* points, are tight but manageable. Even Thailand is now paying 10 basis points as a facility fee on the $500m 10-year deal mandated on Friday to Chase, Chemical, Industrial Bank of Japan, and Lloyds.

Elsewhere, *Norway's Christiania* Bank has appointed Citicorp, Merrill Lynch, Morgan Stanley and PK Christiania (UK) as dealers on a $200m Euro-commercial paper programme.

## Bankers devise novel ways to tempt investors

BORROWERS are in a dilemma, *writes Maggie Urry in London.* The Eurodollar fixed-rate market is not in good enough shape to welcome with open arms straightforward issues, particularly if priced to suit the issuer.

But many big borrowers believe that interest rates are now at a low point, which they want to lock into, or they have large borrowing programmes that they must keep rolling.

*The answer is to add something* fancy to a deal to tempt investors who are currently selective about buying bonds. That gives the investment bankers a chance to show just how clever they can be *in devising* new structures.

Morgan Stanley came up with an idea that many agreed was smart. Some borrowers are in the position of wanting to refinance existing high-coupon issues at today's lower rates but do not have call options on the earlier issues until later. They may think rates will be higher again by the time they can call the issues.

*Morgan Stanley* worked out a way of issuing warrants now that have the effect of cutting the cost of the interest on the older deals and giving the possibility of substituting them for new, cheaper bonds when they become callable. Two borrowers, Nederlandse Gasunie (Nedgas) and Dutch State Mines (DSM), took advantage of the idea and bankers were combing through the lists to find more borrowers in a similar position.

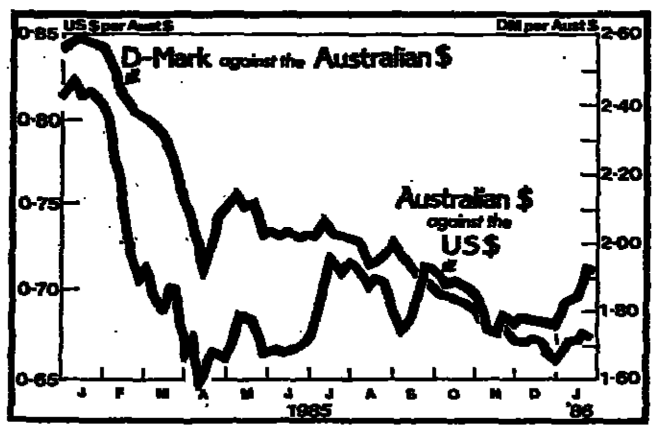
DSM, for example, has an outstanding issue of $150m 11⅜ per cent bonds maturing in 1991 and callable from March 1988 starting at 101. It might have been able to launch a five-year issue now with a coupon of 8⅞ per cent. Instead it issued 150,000 warrants at $35 each, raising $5.25m. They cannot be exercised for the first two years, while the earlier bond cannot be called, but pay interest of $3⅝ during this time. Thus investors receive an income slightly higher than they would have expected from a bond issued now.

The warrants can then be used to buy a 10⅜ per cent bond maturing in 1991, a lower coupon than the existing issue, but a higher one than a theoretical new issue. By then, the old deal will be callable, so DSM's total outstanding debt need not increase.

If, in 1988, warrant-holders look like exercising their warrants, the borrower can call the old bond and issue the new, cheaper one. If they do not exercise them, DSM will keep the warrant proceeds less the interest on them to bring down their overall cost.

*The only criticism was that DSM* is still locking into quite a high-refinancing rate compared with current interest rates. The warrants went well, Nedgas's trading well above the $27½ issue price, while DSM's were more muted, quoted just above the $35 price.

*Chrysler* is another borrower with a problem. It needs to borrow a lot but has a poor name with investors and a BBB rating from Standard & Poor's. Bankers spend hours trying to devise ways of making its deals attractive to investors.




Morgan Guaranty made the latest attempt, bringing a four-year bond – thought to be a good maturity for such credit – with warrants into an eight-year non-callable bond – perhaps attractive to those who believe Chrysler is an improving credit.

The bond offered a yield margin above US Treasury paper of 164 basis points, taking the 1⅝ per cent *fees into account. They* were trading just within that discount. The warrants, priced at $25, buy into a 10⅝ per cent bond. Warrant holders who do not exercise them can ask for redemption of the warrants at a price of $17 during years five to eight, and then at $25 at maturity. They were trading at around $34.

Den norske Creditbank decided not to do anything fancy but just issue some plain warrants with a *three-year life exercisable into a 10-*year bond paying 9¼ per cent. Credit Suisse First Boston handled the deal alone and did not disclose an issue price. The warrants traded around $17½.

Friday also saw another 30-year issue from the World Bank. This $200m issue will be fully fungible with the $300m deal done in December. *The coupon and maturity is the* same but the issue price has risen.

The European Investment Bank is another leading borrower and is always on the lookout for pockets of investor demand to tap. It must have found a pretty specialised group to want to buy a bond paying a coupon every two years and with Nikko Securities (Europe) as lead manager, the guess was that the buyers would be Japanese, probably insurance companies that might be able to avoid paying tax on a bond that does not pay a coupon for a while, but meanwhile boosting their yield.

One thing a number of borrowers, especially the US corporates, have not realised is just how much spreads, the yield margins over US Treasuries, have widened. They know that they used to come on a spread of $x$ basis points, and cannot believe that they should now expect to pay $x + y$. *The state of competition* among lead managers is such that many will still try to do deals on spreads that are now too tight, and the inevitable result is a poor *reception for the bonds.*

The floating-rate note market has been in a *sorry state*, as US bank paper has fallen sharply in the wake of poor results from BankAmerica. Prices have fallen as much as 50 basis points or, in rare *cases, even more, with liquidity in* the issues vanishing as market-makers refuse to take more paper on to their books.

The Euro-Australian dollar bond market has had another active week, and even in the US some borrowers *such as Security Pacific and* Sallie Mae have launched A$ denominated paper. Investors believe that what goes down should go up again, and the currency has turned the corner this month. Add the possibility of exchange gains to coupons *above* 14 per cent and the attractions are clear.

Even here, though, investors are choosy about the names they buy, and last week's deals were a mixed group. Support bids from lead managers can disguise the success of an *issue* in the grey market.

In the D-Mark markets, investors last week got their first chance this year to buy good-name, well-priced, fixed-rate public issues. So, despite a fairly quiet time in the secondary market, the new issues met good demand.

The floater market may have a new test of its ability to take new paper if the European Community decides to go ahead with a deal expected today.

*The Swiss franc foreign* bond market has run out of steam as the weight of new issues has begun to slow the pace. Only one public issue was launched last week. Recent deals are still meeting a reasonable reception when they reach the stock market with Settsu Paperboard's 15-year 5⅜ per cent issue ending its first day at 99 on Friday, and the TNT equity-linked deal closing at its 101 issue price in Geneva. Today the Asian Development Bank's 30-year zero coupon issue is due to start trading.

**EUROMARKET TURNOVER**
Turnover ($m)

| | Straights | Conv | FRN | Other |
|---|---|---|---|---|
| **Primary Market** | | | | |
| US$ | 2,305.2 | – | 653.8 | 245.5 |
| Prev | 2,759.9 | 0.1 | 35.0 | 211.2 |
| Other | 642.3 | 0.9 | 598.6 | 39.5 |
| Prev | 1,061.0 | 0.7 | 454.2 | 66.7 |
| **Secondary Market** | | | | |
| US$ | 22,115.4 | 937.5 | 13,365.0 | 1,949.3 |
| Prev | 19,000.7 | 1,001.9 | 16,003.1 | 2,037.4 |
| Other | 6,532.2 | 126.6 | 3,159.1 | 2,155.8 |
| Prev | 5,736.4 | 167.7 | 3,244.1 | 2,212.5 |

| | Cedel | Euroclear | Total |
|---|---|---|---|
| US$ | 12,164.0 | 29,427.7 | 41,591.7 |
| Prev | 12,859.6 | 28,189.7 | 41,049.3 |
| Other | 6,912.2 | 6,675.0 | 13,587.2 |
| Prev | 6,224.9 | 6,737.4 | 12,962.3 |

Week to January 23 1986 — *Source: AIBD*

## Crédit Suisse plans to expand activities in Germany

CRÉDIT SUISSE, third largest of the Swiss banks, will shortly streamline and extend its activities in West Germany where it has taken over two credit institutes within the last year, writes **Jonathan Carr in Frankfurt.**

The bank *plans to merge* its Bavarian and Frankfurt-based operations under the name Schweizerische Kreditanstalt (Deutschland) by the end of June. The headquarters will probably be in Frankfurt.

It will also set up representative offices in Munich and Stuttgart, emphasising its aim to gain new business in the particularly dynamic economic region of South Germany.

This was announced in Frankfurt by Mr Robert Jeker, chief executive of Crédit Suisse, as the bank introduced its bearer shares for the first time to the Frankfurt bourse.

Mr Jeker and other senior executives revealed that in the nine months to end-1985 the Crédit Suisse group in Germany had raised total assets by 9.7 per cent to DM 3.4bn ($1.38bn), and had boosted the number of employees by 10.9 per cent to 489. It now employs more people in Germany than in any other country outside Switzerland.

Crédit Suisse became the first of the major Swiss banks to establish an offshoot in West Germany when it *took over Grundig Bank*, based in Furth, Bavaria, early last year.

Originally Crédit Suisse planned to penetrate the key financial centre of Frankfurt via an office to be established there by the Bavarian institute. But in the meantime Effectenbank Warburg in Frankfurt became available for sale and Crédit Suisse bought it with effect from last May.

*The Frankfurt bank was re-*named CSFB-Effectenbank – underlining that the group's dynamic London-based Eurobond issuing house, Credit Swiss First Boston, also has a stake in the firm.

CSFB-Effectenbank was quick to take advantage of the Bundesbank's steps last year to liberalise the German capital market. It has already acted as lead-manager for D-Mark *Eurobond issues.*

This capital market business alone will continue to be handled under the name CSFB-Effectenbank, even after the general change of name by mid-year.

# INTERNATIONAL CAPITAL MARKETS

## US MONEY AND CREDIT

# Cross-currents leave traders all at sea

THE US credit markets were swept by strong cross-currents last week, including a mixed bag of economic statistics and the sharp drop in oil prices, which generated new confusion in the financial markets. Bond prices, responding to this uncertainty, ended the week little changed to slightly firmer.

The holiday-shortened trading week started out on a weak note following disappointment over the apparent failure of the London G-5 meeting to reach agreement on any co-ordinated plan for interest rate reduction.

However, this disappointment soon gave way to confusion as the markets attempted to assess the impact of the plunge in oil prices triggered by the supply glut.

"Apart from the difficult question of where oil prices will settle, the ultimate effects of a new oil price structure on economic growth, inflation and financial stability in the US and abroad are not clear cut."

Dr Henry Kaufman, Salomon Brothers' chief economist, says in his latest comments on credit.

While the decline in oil prices is generally viewed as a longer term positive stimulus for real economic growth—and a further inflation dampener helping to offset the impact of a weaker dollar—its impact in the short-term is less clear, particularly on the Federal Reserve Board's monetary policy.

Most of Wall Street's senior economists believe that the prospect of somewhat stronger economic growth coupled with the more immediate evidence of renewed economic momentum and a new weakening in the dollar should provide the Fed with good reasons to hold steady for the moment.

Last week brought a downward revision in the estimate of the fourth-quarter real economic growth to 2.4 per cent, down from the "flash" estimate of 3.2 per cent. However, other economic numbers, including strong December durable goods orders boosted by a late surge in aircraft orders, suggest a continued upswing in economic activity in the current quarter. This week's economic statistics include the December leading economic indicators.

The oil price decline does, however, have other potentially serious consequences, including its negative impact on domestic and LDC oil producers and US bank lenders. This was reflected in the US markets last week in a modest flight to quality which helped push Treasury T-bill rates down by between five to 15 basis points.

The prospect that troubled US financial institutions might require assistance from the Federal Reserve in its capacity as lender of last resort is seen by some economists as exerting additional eventual pressure on the Fed to ease.

"Concern over the consequences of the oil price slide, the need to co-operate with Japan and stabilise the dollar, as well as lender of last resort responsibilities should outweigh misguided concerns that inflation is speeding up and that the economy is overheating," says Philip Braverman of Briggs Schaedle.

For the moment, however, the Fed appears determined to leave any interest rate initiative up to its Western partners as was evidenced in a speech last week by Mr Gerald Corrigan of the New York Fed.

Mr Corrigan told his audience: "Faster economic growth in other industrial countries is not a luxury, it is a necessity," and suggested that high unemployment and low inflation abroad offer the "opportunity for more growth-orientated policies."

The Fed's recent open-market actions also suggest no basic change in policy stance. Last week's aggressive open-market operations successfully contained seasonal upward pressure on the Fed funds rate—indicating that the Fed is continuing to maintain a funds rate objective of around 7⅞ per cent and a discount window borrowing target of around $300m.

Last week, after bouncing around, Government bond prices closed the week posting gains of between ⅛ and ⅜ of a point. The Treasury's long bond gained ⅜ of a point to 104⅞.

Significantly, although the Treasury yield curve has become a little more positive in recent weeks, it is still only 20 basis points above its flattest curve of the last 12 months, but at 64 basis points the seven-to-30 year portion of the yield curve is near its most positive spread of the year.

In the corporate markets bond prices were generally unchanged to slightly firmer while new issue yield levels were unchanged to 15 basis points lower. Among the new issues traded for the first time last week Bank of Boston sold $100m of 7⅞ per cent 25-year bonds at par and Security Pacific sold $175m of five-year floating rate notes at par.

**Paul Taylor**

**US MONEY MARKET RATES (%)**

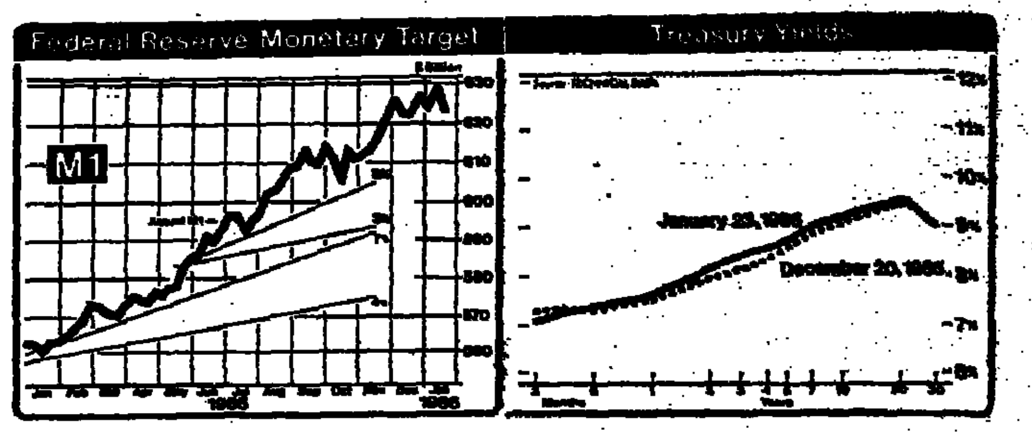
| | Last Friday | 1 week ago | 4 wks ago | 12-month High | 12-month Low |
|---|---|---|---|---|---|
| Fed Funds (weekly average) | 7.80 | 7.96 | 7.88 | 8.91 | 7.58 |
| Three-month Treasury bills | 6.96 | 7.11 | 6.97 | 8.75 | 6.97 |
| Six-month Treasury bills | 7.10 | 7.21 | 7.02 | 8.20 | 6.91 |
| Three-month prime CDs | 7.66 | 7.80 | 7.87 | 8.64 | 7.56 |
| 30-day Commercial Paper | 7.70 | 7.75 | 7.75 | 8.56 | 8.56 |
| 90-day Commercial Paper | 7.65 | 7.65 | 7.75 | 8.20 | 7.60 |

**US BOND PRICES AND YIELDS (%)**

| | Last Friday | Change on week | Yield | 1 week ago | 4 wks ago |
|---|---|---|---|---|---|
| Seven-year Treasury | 99⅜ | +⅛ | 9.01 | 9.11 | (new) |
| 20-year Treasury | 97⅜ | +⅛ | 9.41 | 9.66 | (new) |
| 30-year Treasury | 104⅜ | +⅜ | 9.42 | 9.44 | 9.29 |
| New 10-year "A" Financial | N/A | — | 10.00 | 10.00 | 9.80 |
| New "AA" Long utility | N/A | — | 10.63 | 10.50 | 10.38 |
| New "AA" Long industrial | N/A | — | 10.50 | 10.50 | 10.15 |

Source: Salomon Bros (estimates).

Money Supply: In the week ended January 13 M1 fell by $6.6bn to $622.3bn.




## FT/AIBD INTERNATIONAL BOND SERVICE

| US DOLLAR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| AHFC O/S Fin 11⅛ 94 | 100 | 107⅛ | 0 | 10.30 |
| AIDC 11 89 | 75 | 104⅞ | +0⅛ | 9.06 |
| AIDC 11⅞ 90 | 100 | 101½ | 0 | 11.45 |
| Amer Savings 12 89 | 125 | 104⅛ | +0⅛ | 10.33 |
| Amer Savings 12⅛ 89 | 100 | 104⅞ | +0⅜ | 10.39 |
| Asian Dev Bk 11⅛ 93 | 100 | 110⅛ | +0½ | 9.82 |
| Australia 11⅜ 90 | 100 | 109 | 0 | 8.61 |
| Australia 11½ 95 | 300 | 111⅛ | +0½ | 9.63 |
| Australia 11⅜ 98 | 100 | 113⅛ | −0⅛ | 9.70 |
| Austria 15½ 88 | 75 | 111⅛ | −0⅛ | 9.46 |
| Avon Fin 10⅛ 92 | 100 | 99⅜ | +0⅛ | 10.30 |
| Bk Nova Scotia 13⅜ 87 | 100 | 105⅞ | −0⅛ | 9.08 |
| Bank of Tokyo 12⅛ 92 | 100 | 110⅞ | +1⅛ | 9.68 |
| Bank of Tokyo 13⅜ 91 | 100 | 116½ | −0⅛ | 9.54 |
| Bank of Tokyo 13⅞ 89 | 100 | 113⅞ | −0⅛ | 9.44 |
| Bergen Bank 11½ 90 | 75 | 103½ | +1⅛ | 10.40 |
| BP Capital 11⅛ 92 | 150 | 105½ | −1 | 9.88 |
| Br Col Hydro 11⅜ 93 | 200 | 111⅜ | 0 | 9.53 |
| Br Col Hydro 12½ 14 | 200 | 118 | +0⅛ | 10.77 |
| Br Col Hydro 12½ 13 | 250 | 116⅝ | +0⅜ | 10.91 |
| Britoil Fin 11⅞ 90 | 125 | 105½ | −0⅜ | 10.32 |
| Caisse Nat En 11⅜ 95 | 125 | 111⅛ | −0⅞ | 9.80 |
| Canada 10⅞ 89 | 500 | 105⅝ | +0⅜ | 8.66 |
| Casio Computer 5⅞ 89 | 80 | 147⅛ | +6½ | −5.61 |
| CBS Inc 11⅜ 92 | 100 | 103½ | +0⅛ | 10.84 |
| Centrust S & L 0 10 | 1bn | 8½ | 0 | 10.81 |
| Chesebrough 12 93 | 100 | 105⅝ | +0½ | 10.86 |
| Citicorp O/S 10⅜ 90 | 100 | 101⅝ | −0⅜ | 9.86 |
| Citicorp O/S 11⅜ 90 | 100 | 103⅞ | −0⅛ | 10.63 |
| Citicorp 11⅜ 92 | 100 | 106 | −0⅜ | 10.36 |
| Citicorp 11⅜ 97 | 200 | 105⅝ | +0⅛ | 10.84 |
| Citicorp O/S 14 94 | 100 | 101⅜ | −0⅜ | 13.59 |
| CNCA 11½ 92 | 125 | 107⅞ | −0⅛ | 9.74 |
| CNCA 13⅜ 91 | 100 | 114⅞ | −0⅛ | 9.66 |
| Coastfed Int 12⅞ 88 | 125 | 104⅛ | +0⅛ | 9.96 |
| Coca-Cola 11⅜ 88 | 100 | 106⅛ | −0⅜ | 8.78 |
| Comp Bancaire 13⅞ 90 | 75 | 112½ | +11⅛ | 13.14 |
| Continental Grp 11½ 93 | 75 | 99⅜ | +0⅞ | 11.54 |
| Creditanstalt 13⅜ 91 | 100 | 113⅜ | +0⅛ | 9.66 |
| Daiichi Kangyo 12⅛ 90 | 100 | 109⅞ | 0 | 9.54 |
| Denmark 10⅞ 90 | 100 | 101⅜ | −0½ | 10.42 |
| Denmark 11½ 92 | 100 | 107⅜ | +0⅛ | 9.75 |
| Denmark 12⅜ 92 | 250 | 101⅜ | −0⅛ | 12.33 |
| Denmark 13 91 | 100 | 112⅜ | −0⅛ | 9.77 |
| Denmark 13 92 | 100 | 103 | +1⅛ | 12.25 |
| Denmark 13⅜ 91 | 100 | 113⅞ | −0⅛ | 9.89 |
| Denmark 13⅞ 88 | 100 | 110⅜ | +0⅛ | 9.13 |
| Denmark 14 91 | 100 | 109⅞ | −0½ | 11.42 |
| Digital Equip 11⅜ 89 | 150 | 106⅝ | −0½ | 9.34 |
| Dutch St Mines 11⅛ 91 | 150 | 104½ | −0⅛ | 10.19 |
| Eksportfinans 11⅜ 92 | 100 | 107⅛ | −0⅜ | 9.61 |
| Eksportfinans 11½ 90 | 100 | 105⅜ | −0⅜ | 9.90 |
| Elec de France 11⅛ 93 | 100 | 107⅞ | +0⅛ | 9.55 |
| Elec de France 12⅜ 87 | 150 | 106⅝ | −0⅜ | 8.69 |
| EEC 11 87 | 350 | 103⅛ | 0 | 8.55 |
| EEC 11⅛ 90 | 100 | 106⅝ | 0 | 9.18 |
| EEC 12 93 | 100 | 112 | 0 | 9.69 |
| Elf-Aquitaine 10⅜ 89 | 100 | 103⅜ | −0½ | 9.31 |
| Ericsson L M 10½ 88 | 100 | 101⅞ | +0⅛ | 9.73 |
| Euro Inv Bk 11½ 90 | 200 | 108½ | +0⅛ | 9.26 |
| Euro Inv Bk 11⅜ 91 | 73 | 106⅛ | +1½ | 9.98 |
| Euro Inv Bk 12½ 90 | 100 | 111⅛ | +0⅛ | 9.15 |
| EDC 9⅞ 88 | 200 | 102⅜ | 0 | 8.99 |
| EDC 10 88 | 125 | 102⅞ | +0⅛ | 8.67 |
| EDC 10⅜ 88 | 100 | 103⅜ | −0⅜ | 8.63 |
| EDC 11⅛ 89 | 150 | 105⅛ | +0⅛ | 8.95 |
| EDC 12 89 | 100 | 108 | +0⅛ | 9.06 |
| EDC 13⅜ 87 | 100 | 105⅜ | −0½ | 8.69 |
| Fed Dept Store 11 90 | 100 | 104⅜ | −0⅜ | 9.50 |
| Finland 11½ 88 | 100 | 105⅛ | −0⅛ | 8.50 |
| Finland 12⅞ 94 | 75 | 112⅛ | −0½ | 10.00 |
| Finnish Export 12⅜ 87 | 75 | 106 | −0⅜ | 8.88 |
| Firstfed Mich 1 13⅜ 89 | 125 | 108½ | +1⅛ | 10.26 |
| Florida Fed 12⅜ 89 | 100 | 104⅜ | +0⅛ | 10.54 |
| FNMA 11½ 91 | 300 | 107⅜ | −0⅛ | 9.66 |
| Gen Elec Cred 0 96 | 600 | 37⅜ | −0⅛ | 9.80 |
| Gen Elec Cred 9⅜ 91 | 100 | 101⅞ | −0⅜ | 9.27 |
| Gen Elec Cred 10⅜ 90 | 200 | 103 | +0⅜ | 9.97 |
| Gen Elec Cred 11 91 | 200 | 104⅝ | −0⅛ | 9.78 |
| Gen Elec Cred 11½ 87 | 200 | 104⅝ | −0⅜ | 10.50 |
| Gen Elec Cred 12 94 | 200 | 107⅞ | 0 | 10.58 |
| Gen Foods Cap 11½ 90 | 75 | 105⅛ | 0 | 9.94 |
| General Mills 12 91 | 100 | 107½ | −0⅛ | 10.23 |
| GMAC 10 88 | 200 | 102⅛ | −0⅛ | 8.79 |
| Gen Motors Acc 10½ 90 | 200 | 102⅜ | −0⅜ | 9.65 |
| Gen Motors Acc 11⅜ 90 | 100 | 105⅜ | −0⅜ | 9.84 |
| GMAC O/S Fin 15⅜ 97 | 100 | 99⅜ | −0⅛ | 15.29 |
| GTE Finance 12 96 | 75 | 102⅛ | −0⅜ | 11.61 |
| Gulf Oil 10⅜ 94 | 100 | 101½ | +1⅞ | 9.98 |
| GZB 14 91 | 100 | 115⅜ | +0⅜ | 10.14 |
| Holl Air Fin 12⅜ 91 | 100 | 105 | −0⅛ | 10.94 |
| Household Fin 11⅜ 92 | 100 | 105⅛ | +0⅜ | 10.39 |
| IBM 9⅜ 88 | 200 | 101⅛ | 0 | 9.39 |
| IBM (WTC) 10½ 89 | 300 | 103½ | −0⅛ | 9.89 |
| IBM Credit 11 89 | 100 | 104⅜ | −0⅜ | 9.51 |
| IC Industries 8⅜ 87 | 35 | 98½ | −0⅜ | 9.83 |
| IC Industries 12 90 | 75 | 104⅜ | 0 | 10.65 |
| Ind Bk Japan 10⅜ 92 | 100 | 105½ | +2⅜ | 9.51 |
| Ind Bk Japan 10⅞ 95 | 100 | 105½ | +1⅜ | 9.92 |
| Ind Bk Japan 11½ 89 | 125 | 106⅜ | +0⅛ | 9.04 |
| Ind Bk Japan 11⅞ 91 | 100 | 110⅛ | +0⅛ | 9.61 |
| Ind Bk Japan 13⅞ 91 | 125 | 120½ | +8⅜ | 8.92 |
| Int-Amer Dev 12⅜ 91 | 150 | 112⅜ | −0½ | 9.76 |
| Int-Amer Dev 11⅜ 94 | 200 | 111⅜ | +1⅜ | 9.93 |
| Int Paper 12 91 | 75 | 104⅛ | −0⅛ | 10.88 |
| Int Stand Elec 0 97 | 112 | 30⅜ | +0⅛ | 11.37 |
| Int Stand Elec 12 96 | 75 | 104⅜ | +0⅛ | 11.19 |
| ITT 11½ 89 | 125 | 105½ | −0⅛ | 9.71 |
| ITT Credit Corp 10½ 90 | 75 | 102⅞ | +0⅛ | 9.64 |
| Japan Airlines 12½ 94 | 70 | 109⅛ | −0⅜ | 10.71 |
| Japan Dev Bk 10⅛ 92 | 50 | 103⅞ | +0⅛ | 9.88 |
| Kellogg Co 10⅞ 90 | 100 | 104⅛ | −0⅛ | 9.57 |
| Kellogg Co 11⅜ 92 | 100 | 106 | +0⅛ | 9.88 |
| Kimberley-Clark 12 94 | 100 | 111 | −0½ | 10.06 |
| Kyowa Fin HK 12⅞ 90 | 100 | 110⅛ | +0⅛ | 9.81 |
| Long Term Cred 10⅜ 90 | 100 | 105 | +0⅛ | 9.26 |
| Long Term Cred 11 90 | 100 | 105½ | 0 | 9.32 |
| Long Term Cred 11⅞ 88 | 100 | 106⅞ | 0 | 9.28 |
| Long Term Cred 12 90 | 75 | 0 | | |
| Long Term Cred 12 93 | 100 | 112½ | +0⅛ | 9.85 |
| Macy R H 11⅜ 91 | 100 | 102½ | 0 | 11.06 |
| Macy R H 11⅜ 95 | 100 | 101⅞ | −0⅛ | 11.41 |
| Marubeni 11⅜ 91 | 100 | 104 | −0⅜ | 10.43 |
| McDonalds Fin 11⅜ 94 | 75 | 106⅞ | +0⅛ | 10.31 |
| Merrill Lynch 12½ 94 | 100 | 103⅛ | 0 | 11.87 |
| Minebea 6⅜ 89 | 100 | 146⅛ | −2⅞ | 0.00 |
| Mitsubishi 5⅜ 89 | 100 | 125 | −1 | −2.65 |
| Mitsubishi Cp 10½ 92 | 100 | 104½ | +1⅛ | 9.48 |
| Mitsubishi Cp 10⅜ 95 | 200 | 103 | −0⅛ | 10.10 |
| Mitsubishi Cp 12½ 91 | 100 | 112½ | −0⅛ | 9.36 |
| Mitsui Eng 7⅜ 88 | 60 | 107⅜ | −8⅜ | 4.20 |
| Mitsui Fin 12⅜ 92 | 100 | 102⅞ | −1⅞ | 11.73 |
| Mitsui Tst Fin 12 91 | 100 | 109⅛ | −0⅛ | 9.67 |
| Mobil Corp 10⅛ 90 | 200 | 102⅛ | −0⅛ | 9.47 |
| Montreal City 12½ 91 | 70 | 108⅛ | 0 | 10.00 |
| Mgn Guaranty 12⅜ 89 | 150 | 107⅞ | −0⅛ | 9.34 |
| Morgan J P 11⅜ 92 | 100 | 105⅛ | +0⅛ | 9.96 |
| Mount Isa Fin 13⅜ 87 | 100 | 106 | −0⅛ | 9.13 |
| Ned Gasunie 11⅛ 90 | 75 | 105⅛ | −0⅛ | 9.76 |
| Ned Gasunie 11⅜ 91 | 75 | 106⅜ | +0⅛ | 9.52 |
| N Eng Lf Mtg 11⅜ 95 | 149 | 109 | +0⅛ | 10.17 |
| Newfoundland 13 91 | 75 | 110⅛ | +0⅛ | 10.25 |
| Nippon Crd Bk 13⅞ 89 | 100 | 113⅜ | 0 | 9.24 |
| Nippon Tel Tel 11⅜ 90 | 100 | 109⅛ | +0⅛ | 8.56 |
| Nippon Tel Tel 12⅜ 91 | 100 | 114⅜ | +1 | 9.26 |
| Nissho-Iwai 6⅛ 89 | 70 | 114½ | +0⅞ | 1.58 |
| Nomura 6⅜ 88 | 100 | 164⅛ | +1⅜ | 0.00 |
| Nova Scotia 11⅜ 91 | 100 | 105⅛ | −0⅛ | 10.32 |
| Nova Scotia 11⅜ 95 | 100 | 109⅛ | +0⅛ | 10.38 |
| Oester Post 12⅛ 89 | 75 | 108 | −0⅛ | 9.25 |
| Ohbayashi-Gumi 7⅜ 89 | 50 | 153⅜ | −0⅛ | 0.00 |
| Ontario Hydro 11⅜ 94 | 200 | 111⅜ | +0⅞ | 9.50 |
| Ontario Hydro 11⅜ 90 | 200 | 108⅛ | 0 | 9.18 |
| Ontario 12½ 94 | 250 | 115⅜ | +0⅛ | 9.89 |
| Pacific Gas & El 12 00 | 75 | 107⅜ | +1⅛ | 10.90 |
| Penney J C 11⅞ 90 | 100 | 104⅜ | 0 | 10.53 |
| Penney J C 12⅜ 91 | 100 | 109½ | +0⅞ | 10.46 |
| Phillips Petrol 14 89 | 200 | 102⅞ | +0⅛ | 12.79 |
| Postipankki 11⅛ 90 | 75 | 104⅜ | +0⅛ | 9.70 |
| Post-Och Kred 13½ 87 | 50 | 106⅜ | −0⅛ | 8.85 |
| Privatbanken 12½ 95 | 100 | 110⅜ | −0⅛ | 10.67 |
| Prudential Ins 12⅜ 87 | 150 | 105⅞ | 0 | 8.85 |
| Pru Rlty Secs 0 99 | 365 | 28⅞ | −0⅛ | 10.04 |
| Pru Rlty Secs 11⅞ 92 | 388 | 107 | 0 | 10.25 |
| Pru Rlty Secs 12⅛ 95 | 545 | 110 | +0⅞ | 10.36 |
| Quebec Prov 12⅛ 94 | 150 | 110 | +0⅞ | 10.35 |
| Queensland Gvt 11⅜ 89 | 100 | 106½ | 0 | 9.31 |
| RBC 11⅛ 90 | 100 | 104⅞ | +0⅛ | 9.62 |
| Rural Bk Aust 12 91 | 50 | 106⅛ | +0⅛ | 10.37 |
| Sanwa Bank 11⅞ 92 | 150 | 108⅛ | +0⅜ | 9.87 |
| Saskatchewan 10⅜ 92 | 100 | 105⅜ | 0 | 9.49 |
| Saskatchewan 10⅜ 90 | 125 | 105⅛ | 0 | 9.16 |
| Saskatchewan 11⅞ 89 | 100 | 108½ | +0⅛ | 9.15 |
| Saskatchewan 15 92 | 150 | 123⅜ | −0⅜ | 9.97 |
| Saskatchewan 16 89 | 125 | 117⅛ | +0⅛ | 9.25 |
| Scot Intl Fin 14⅜ 96 | 50 | 114½ | +0⅛ | 11.73 |
| Sears O/S Fin 0 98 | 900 | 28⅜ | 0 | 10.34 |
| Sears Roebuck 10⅜ 91 | 150 | 103⅛ | −0⅜ | 9.64 |
| Sears Roebuck 11⅛ 91 | 150 | 108⅛ | −0⅜ | 9.42 |
| Sec Pacific 12 92 | 100 | 109½ | +0⅜ | 9.84 |
| Shearson/Amex 12⅜ 94 | 100 | 108⅛ | +1 | 10.57 |
| Shell (Canada) 14⅜ 92 | 125 | 113½ | −0⅛ | 11.24 |
| Signal Comps 11⅜ 92 | 125 | 106⅜ | −0⅛ | 10.32 |
| Standard Oil 10½ 89 | 150 | 102⅜ | +0⅛ | 9.56 |
| Statoil 12 88 | 100 | 106⅞ | −0⅜ | 8.67 |
| Sumitomo Corp 10⅜ 92 | 100 | 102⅜ | +0⅜ | 9.99 |
| Sumitomo Fin 11⅜ 92 | 150 | 109 | −0⅜ | 9.73 |
| Sumitomo Fin 12⅜ 91 | 150 | 112 | +0⅜ | 9.70 |
| Sumitomo Trust 12½ 92 | 100 | 110⅜ | +0⅜ | 10.12 |
| Sweden 11½ 89 | 200 | 107½ | +0⅜ | 9.10 |
| Sweden 12⅜ 89 | 200 | 108⅜ | −0⅛ | 9.06 |
| Swedish Export 10⅜ 88 | 100 | 103⅞ | +0⅜ | 10.03 |
| Swedish Export 11½ 89 | 100 | 106 | 0 | 9.11 |
| Swedish Export 12⅜ 89 | 100 | 108⅛ | −0⅜ | 9.80 |
| Taiyo Kobe 11⅞ 90 | 100 | 108½ | −0⅜ | 9.35 |
| Taiyo Kobe 12 90 | 100 | 108⅛ | −0⅛ | 9.68 |
| Tenneco Corp 11½ 88 | 150 | 104⅛ | +0⅜ | 9.64 |
| Texaco Capital 10½ 90 | 200 | 94⅛ | −0⅜ | 12.10 |
| Texaco Capital 10⅜ 93 | 200 | 96⅞ | 0 | 10.84 |
| Texaco Capital 13½ 88 | 200 | 103⅜ | −0⅞ | 12.08 |
| Texas Instru 11⅞ 91 | 150 | 104½ | −0⅛ | 10.66 |
| Tokai Asia 12⅜ 91 | 100 | 109⅜ | −1⅜ | 9.84 |
| Tokyo Electric 6½ 89 | 70 | 111⅞ | +2⅜ | 2.57 |
| Tokyo Elec Pr 13⅜ 89 | 100 | 111⅛ | −0⅜ | 9.38 |
| Toray Inds 11⅛ 92 | 50 | 103½ | 0 | 10.31 |
| Toronto-Dom 12⅜ 89 | 50 | 107½ | −0½ | 9.78 |
| UBS 12⅜ 91 | 100 | 107 | −0⅜ | 10.44 |
| Utd Tech 11⅜ 92 | 150 | 107 | +0⅜ | 9.64 |
| Veba 8 93 | 70 | 190 | −9 | −2.28 |
| West LB 11⅞ 90 | 100 | 108⅛ | +0⅛ | 8.69 |
| Westpac 12⅜ 92 | 100 | 110 | −0⅛ | 10.30 |
| Weyerhaeuser 11½ 90 | 60 | 103⅜ | +0⅜ | 10.55 |
| World Bank 11 92 | 300 | 107 | +0⅛ | 9.42 |
| World Bank 11⅛ 90 | 200 | 107⅞ | +0⅛ | 9.10 |
| World Bank 11⅜ 88 | 200 | 106⅝ | +0⅛ | 8.86 |
| World Bank 12 93 | 200 | 112⅛ | 0 | 9.64 |
| World Bank 12⅜ 94 | 150 | 114½ | +0⅜ | 9.78 |
| World Bank 12⅞ 94 | 200 | 117 | +0⅛ | 9.84 |
| Yasuda Trust 12⅜ 88 | 100 | 108⅛ | +0⅜ | 9.24 |

| FLOATING RATE NOTES | Issued | Price | Chg. on week | C.cpn |
|---|---|---|---|---|
| African Dev Bk ⅛ 98 | 100 | 100 | 0 | 8⅜ |
| Arab Bank Corp ⅜ 96 | 100 | 99⅛ | +0⅜ | [illegible] |
| Banca Lavoro ⅛ 91 | 100 | 100⅛ | +0⅛ | 8⅞ |
| Banco di Roma ⅛ 89 | 150 | 100½ | +0½ | 8⅜ |
| Bnca di Roma ⅛ 92 CU | 75 | 99⅜ | | |
| Bankers Tr NY ⅛ 94 | 200 | 100⅛ | −0⅛ | 8⅛ |
| Bank of Greece ⅛ 94 | 150 | 98⅛ | +2⅞ | 8⅞ |
| Bank Montreal ⅛ 94 £ | 100 | 100 | −0⅛ | 11⅜ |
| Bqe Nat Paris ⅛ 88 | 400 | 101 | 0 | 8½ |
| Bqe Nat Paris ⅛ 95 | 100 | 101⅜ | 0 | |
| Bqe Nat Paris ⅛ 96 | 250 | 100⅛ | 0 | 8⅜ |
| Barclays O/S ⅛† | 600 | 100½ | 0 | 8⅜ |
| BBL ⅛ 95 | 100 | 100⅛ | 0 | 8⅜ |
| BBL ⅛ 99 | 100 | 100⅛ | +0⅛ | 8⅞ |
| BCI ⅛ 98 | 300 | 100⅛ | 0 | 8⅞ |
| BFCE ⅛ 97 | 400 | 99½ | −0⅛ | 8⅜ |
| BFCE ⅛ 99 | 600 | 100⅛ | 0 | 8⅜ |
| Belgium ⅛ 04 | 400 | 100 | 0 | 8⅛ |
| CCCE ⅛ 06 | 200 | 100⅛ | 0 | 8½ |
| CEPME ⅛ 96 £ | 100 | 100 | +0⅛ | 11⅞ |
| Chase Manhattan ⅛ 09 | 400 | 100 | 0 | 8⅞ |
| Chemical NY ⅛ 99 | 300 | 100⅛ | 0 | 8⅞ |
| Citicorp O/S ⅛ 91 £ | 100 | 99⅛ | 0 | 11⅞ |
| Citicorp O/S ⅛ 98 | 250 | 98 | −0⅞ | 8⅛ |
| Citicorp Psn Psn ⅛ 97 | 250 | 100 | 0 | 8⅛ |
| Commerzbank ⅛ 89 | 150 | 100⅛ | 0 | 8⅛ |
| Creditanstalt ⅛ 96 | 150 | 100⅛ | 0 | 8⅜ |
| Credit Comm ⅛ 95 | 100 | 100⅛ | 0 | 8⅜ |
| Credit Foncier ⅛ 00 £ | 100 | 100⅛ | −0⅛ | [illegible] |
| Credit Lyonnais ⅛ 96 | 300 | 100⅛ | 0 | 8⅜ |
| Credit Lyonnais ⅛ 99 | 250 | 100⅛ | 0 | 8⅜ |
| Credit National ⅛ 95 £ | 100 | 100⅛ | +0⅛ | 11⅞ |
| Dai-Ichi Kangyo ⅛ 96 | 150 | 100⅛ | 0 | 8⅛ |
| Denmark 99 | 200 | 99⅞ | −0⅛ | 8⅜ |
| Denmark ⅛ 90 | 500 | 100⅛ | 0 | 8⅜ |
| Denmark ⅛ 95 | 250 | 101⅞ | +0½ | 10 |
| Eldorado Nuke 89 | 100 | 100⅛ | +0½ | 9⅛ |
| Elec de France ⅛ 99 | 400 | 101 | 0 | [illegible] |
| ENEL ⅛ 93 £ | 100 | 100⅛ | +0⅛ | 11⅞ |
| Exterior Int ⅛ 96 | 125 | 99⅜ | 0 | 8⅜ |
| Ferro del Stat ⅛ 88 | 100 | 100⅛ | −0⅛ | 8⅛ |
| Ferro del Stat ⅛ 99 | 250 | | | 8⅞ |
| Fiat Finance ⅛ 94 | 100 | 100⅛ | 0 | 8⅛ |
| First Chicago ⅛ 94 | 100 | 99⅛ | 0 | 8⅜ |
| First Chicago ⅛ 97 | 200 | 99½ | 0 | [illegible] |
| Ford Motor Cr ⅛ 91 | 200 | 99⅜ | −0⅛ | 8⅜ |
| GW O/S Fin ⅛ 94 | 100 | 99⅜ | +0⅛ | 8⅛ |
| Grindlays ⅛ 94 | 100 | 100⅛ | −0⅜ | 8⅜ |
| Interfirst Tex ⅛ 89 | 100 | 96⅜ | −0½ | 8⅜ |
| Ireland ⅛ 88 | 50 | 100 | 0 | 8½ |
| Ireland ⅛ 93 £ | 50 | 100⅛ | 0 | 11⅜ |
| Ireland ⅛ 94 | 300 | 100⅛ | 0 | 8⅜ |
| Ireland ⅛ 98 £ | 100 | 99⅞ | 0 | 11⅞ |
| Ireland ⅛ 97 | 300 | 100⅛ | +0⅛ | 8⅜ |
| Ireland ⅛ 99 | 300 | 100⅛ | 0 | 8⅜ |
| Italy ⅛ 94 | 1bn | 100 | 0 | 8⅜ |
| Italy ⅛ 99 | 500 | 100 | 0 | 8⅛ |
| Kleinwort Benson ⅛ 96 | 100 | 100½ | +0½ | 8½ |
| Korea Exch Bk ⅛ 94 £ | 100 | 97⅛ | −1⅜ | 12 |
| Lincoln S & L ⅛ 99 | 100 | 99½ | −0⅜ | 8⅜ |
| Malaysia ⅛ 93 | 500 | 100 | +0⅛ | 8½ |
| Malaysia ⅛ 94 | 600 | 99½ | −0⅛ | 8⅛ |
| Man Hanover ⅛ 94 £ | 75 | 99⅞ | −0⅛ | 11⅞ |
| Marine Midland ⅛ 94 | 125 | 100 | 0 | 8⅜ |
| Marine Midland ⅛ 96 | 125 | 100 | +0⅛ | 8⅜ |
| Marine Midland ⅛ 09 | 150 | 100 | 0 | 8⅜ |
| Mellon Bank ⅛ 96 | 250 | 100 | 0 | 8⅜ |
| Midland Intl ⅛ 99 | 200 | 100⅛ | 0 | 8⅞ |
| Mitsui Fin ⅛ 96 | 100 | 100⅛ | 0 | 8⅜ |
| Morgan Grenfell ⅛ 94 | 50 | 99⅜ | 0 | 8⅜ |
| Mtg Intermed ⅛ 10 £ | 50 | 100 | 0 | 12 |
| Nat Bank Canada ⅛ 91 | 50 | 100⅛ | 0 | 8⅞ |
| Nat Bank Detr ⅛ 96 | 100 | 99⅜ | 0 | 8⅜ |
| Nat West Fin ⅛† | 300 | 100⅞ | 0 | 8⅜ |
| Neste Oy ⅛ 94 | 100 | 100⅛ | +0⅛ | 8⅜ |
| New Zealand ⅛ 87 | 350 | 100⅛ | 0 | 8½ |
| NZ Steel Corp ⅛ 92 | 225 | 100⅛ | 0 | 8⅜ |
| Oster Land Bank ⅛ 99 | 100 | 100⅛ | 0 | 8⅞ |
| Oko Bank ⅛ 92 | 50 | 99½ | 0 | 8⅛ |
| Portugal ⅛ 92 | 100 | 100 | 0 | 8⅜ |
| Queensland Coal ⅛ 96 | 355 | 100⅛ | 0 | 8⅜ |
| Renfe ⅛ 91 | 100 | 100 | 0 | 8⅞ |
| Sanwa Intl Fin ⅛ 92 | 150 | 100 | 0 | 8⅜ |
| SEAT ⅛ 93 | 100 | 100 | +0⅛ | 8⅛ |
| Security Pac ⅛ 97 | 250 | 99⅛ | −0⅛ | 8⅛ |
| Skopbank ⅛ 94 | 75 | 99⅜ | 0 | 8⅜ |
| SNCF ⅛ 93 £ | 75 | 100⅞ | +0⅛ | 11⅞ |
| Soc Generale ⅛ 90 | 250 | 100⅛ | −0⅛ | 10⅛ |
| Soc Generale ⅛ 94 | 250 | 100⅛ | 0 | 8⅜ |
| Spain ⅛ 88 | 200 | 100½ | +0⅛ | 8⅜ |
| Spain ⅛ 97 | 250 | 100⅛ | 0 | 8⅛ |
| Standard Chart ⅛ 94 | 200 | 100⅛ | 0 | 8⅛ |
| Sumitomo Trust ⅛ 94 | 100 | 100⅛ | 0 | 8⅞ |
| Sweden ⅛ 98 | 500 | 99⅜ | 0 | 8⅜ |
| Sweden 90 | 700 | 99⅞ | 0 | 7⅞ |
| Sweden ⅛ 24 | 600 | 101 | −0⅛ | 8⅞ |
| Swedish Ex Cred ⅛ 92 | 125 | 100½ | −2⅛ | 10 |
| Thailand ⅛ 06 | 60 | 98⅜ | 0 | 8⅞ |
| Tokai Asia ⅛ 99 | 150 | 100⅛ | 0 | 8⅜ |
| Toyo Trust Asia ⅛ 99 | 100 | 100⅛ | 0 | 8⅞ |
| TVO Power ⅛ 04 | 100 | 98⅛ | −0⅛ | 8⅜ |
| Union Bank-Norw ⅛ 99 | 50 | 98⅞ | +0⅛ | 8⅞ |
| United Kingdom 92 | 2.5bn | 100 | 0 | 7⅞ |
| Wells Fargo ⅛ 94 | 150 | 96⅜ | −2⅛ | 8⅛ |
| Wells Fargo ⅛ 96 | 50 | 99 | −0⅛ | 8⅜ |
| Yorkshire Int ⅛ 94 £ | 75 | 99⅜ | −0⅛ | 12⅞ |

| CONVERTIBLE BONDS | Issued | Price | Chg. on week | Prem. |
|---|---|---|---|---|
| Ajinomoto 3 99 | 120 | 134½ | +2 | 2.27 |
| Best Denki 5⅜ 97 | 15 | 199½ | +16⅜ | 2.39 |
| Canon 7 97 | 50 | 228⅞ | +6⅞ | −1.79 |
| Daiwa Secs 5½ 98 | 60 | 208 | +4⅞ | 3.86 |
| Dev Bank Sing 5½ 98 | 70 | 75 | +1 | 62.15 |
| Elders 11⅛ 94 | 160 | 109⅞ | +0⅛ | 37.44 |
| Elektrowatt 6 98 | 51 | 125⅜ | −4½ | −3.84 |
| Fujitsu 3 99 | 100 | 102⅝ | +0½ | 5.2 |
| Intec Inc 3 99 | 50 | 113½ | +8⅜ | 11.32 |
| Kumagai Gumi 3½ 00 | 80 | 183 | +6 | 12.89 |
| LASMO 5⅜ 99 | 44 | 92½ | −0⅜ | 63.10 |
| Moet-Hennessy 7 99 | 60 | 149 | −1½ | −88.44 |
| Murata Mfg 3⅛ 00 | 100 | 138½ | +18⅜ | 47.15 |
| Nippon Oil 3⅜ 99 | 50 | 91⅜ | −2⅞ | 5.55 |
| Ono Pharm 3⅜ 98 | 80 | 108½ | +10⅛ | −1.09 |
| Soc Gen Surv 4⅜ 94 | 60 | 155⅛ | −6½ | −1.45 |
| Sumitomo Corp 2⅞ 99 | 70 | 146⅛ | +0⅛ | 3.28 |
| Texaco Capital 11⅞ 94 | 1bn | 96½ | −2⅜ | 78.70 |
| Texaco Capital 11⅜ 94 | 500 | 94⅜ | −3⅜ | 75.36 |
| Tsugami Corp 3⅜ 00 | 20 | | | |
| Yamaichi Sec 3⅜ 95 | 20 | 158½ | +5⅜ | −0.40 |

| YEN STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| Asian Dev Bk 7⅜ 94 | 15 | 104⅛ | +0⅛ | 6.89 |
| Avon Products 6⅜ 91 | 25 | 97⅜ | −1½ | 7.22 |
| Denmark 6⅜ 92 | 20 | 100⅜ | +0⅜ | 6.72 |
| Dow Chemical 7 94 | 50 | 101½ | −0⅜ | 6.76 |
| EDF 6⅞ 95 | 20 | 101⅜ | +0⅜ | 6.62 |
| Eurofima 7⅜ 94 | 10 | 103⅛ | +0½ | 6.83 |
| Eurofima 6⅜ 92 | 10 | 100 | −1 | 6.64 |
| FNMA 6⅞ 92 | 60 | 100⅛ | −0⅜ | 6.83 |
| GMAC 6½ 90 | 25 | 101⅜ | +0⅛ | 6.15 |
| Intel 6⅜ 92 | 13 | 97⅜ | +0⅛ | 7.78 |
| Int-Amer Dev 7⅞ 93 | 15 | 103½ | +0⅜ | 7.26 |
| ITT 6⅜ 92 | 20 | 100½ | −0⅜ | 6.65 |
| McDonald Corp 6½ 92 | 25 | 100⅞ | −0½ | 6.33 |
| New Zealand 7⅜ 90 | 15 | 102½ | −0⅜ | [illegible] |
| New Zealand 7⅜ 89 | 15 | 103½ | 0 | 6.50 |
| Pacific Gas & El 7 94 | 20 | 102⅜ | −0⅜ | 6.65 |
| Penney J C 6⅜ 92 | 25 | 99⅛ | −0⅜ | 6.90 |
| Procter 6⅜ 92 | 25 | 101⅛ | −0⅜ | 6.36 |
| Sallie Mae 6⅜ 92 | 25 | 99⅜ | 0 | 6.70 |
| TRW 7 94 | 15 | 101 | −0⅜ | 6.84 |
| Utd Technology 6⅜ 92 | 25 | 100⅛ | −0⅜ | 6.58 |
| World Bank 7 94 | 20 | 102⅛ | 0 | 6.65 |
| World Bank 7⅜ 93 | 20 | 105⅛ | −0⅜ | 6.75 |
| World Bank 8 93 | 20 | 106½ | −0½ | 6.82 |

| LUXFR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| ASEA 9⅜ 89 | 600 | 101½ | −0⅜ | 9.26 |
| Eurofima 10 94 | 600 | 104⅜ | +0⅜ | 9.21 |
| E Coal & Steel 10½ 94 | 1bn | 105⅛ | −1⅛ | 9.57 |
| Euro Invest Bk 10½ 94 | 1bn | 105⅞ | −0½ | 9.42 |
| World Bank 10⅜ 89 | 1bn | 102⅜ | −0½ | 9.26 |

| GUILDER STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| ABN 8 89 | 200 | 106⅛ | −0⅜ | 5.67 |
| ABN 7⅜ 89 | 150 | 105⅛ | −0⅜ | 6.04 |
| Amro Bk 7⅜ 89 | 150 | 103⅜ | +0⅜ | 6.12 |
| Amro Bk 8 89 | 200 | 105⅜ | +0⅜ | 6.07 |
| Bk Mees & Hope 8⅜ 89 | 100 | 105⅞ | −0⅜ | 6.11 |
| Beatrice Foods 8⅜ 88 | 100 | 103½ | −0⅜ | 7.06 |
| C C Rabo 8 89 | 150 | 105⅛ | −0½ | 6.20 |
| Denmark 8½ 91 | 100 | 108⅛ | +0½ | 6.57 |
| Int Stand Elec 8½ 89 | 100 | 105½ | −0⅛ | 6.51 |
| New Zealand 8⅜ 89 | 100 | 105⅜ | −0½ | 6.32 |

| CANADIAN DOLLAR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| Amex 12⅜ 91 | 50 | 103½ | −1 | 11.47 |
| Aust Resources 11⅜ 92 | 50 | 102⅞ | −0⅜ | 10.96 |
| Bank of Tokyo 10⅞ 92 | 75 | 100½ | | 10.75 |
| Bqe l'Indosuez 14 91 | 75 | 111⅛ | +0⅛ | 11.71 |
| Br Col Munic 12⅜ 91 | 100 | 106⅛ | −0⅜ | 10.64 |
| Br Col Munic 13½ 91 | 100 | 110⅛ | +0⅜ | 10.85 |
| Br Col Tele 12⅜ 89 | 70 | 103½ | +0⅛ | 11.72 |
| Farm Cred Corp 12⅜ 90 | 75 | 106 | −0⅛ | 10.52 |
| Kredietbank 12 92 | 75 | 103⅜ | −0⅛ | 11.21 |
| Long Term Cred 11⅜ 90 | 75 | 102⅜ | −0⅛ | 10.89 |
| Montreal City 12⅜ 91 | 50 | 105⅛ | −0½ | 10.87 |
| New Brunswick 12 95 | 75 | 106⅛ | −0⅛ | 10.86 |
| Nova Scotia 11⅜ 95 | 100 | 103⅜ | −0⅛ | 11.02 |
| Quebec Hydro 14 91 | 75 | 108⅛ | −0⅛ | 12.35 |

| ECU STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| ABN 9½ 92 | 100 | 102½ | −0⅛ | 8.94 |
| Australia & NZ 10⅜ 91 | 50 | 104⅛ | +0⅛ | 9.65 |
| Austria 10⅛ 93 | 100 | 107⅛ | +0⅛ | 9.10 |
| BFCE 9⅜ 92 | 100 | 104⅜ | +0½ | 8.73 |
| Cred National 10⅜ 94 | 50 | 105½ | 0 | 9.27 |
| Cred National 11½ 91 | 50 | 108 | −0½ | 9.31 |
| Denmark 10⅜ 91 | 75 | 105⅜ | −0⅛ | 9.29 |
| Ebco Intnl 10⅞ 88 | 55 | 103½ | +0⅛ | 9.52 |
| EEC 11 93 | 50 | 104⅜ | +0⅞ | 10.08 |
| EEC 11⅜ 91 | 50 | 106⅞ | +0⅞ | 9.72 |
| EEC 11⅜ 93 | 70 | 105⅜ | +0⅛ | 10.16 |
| Euro Coal & Steel 6 94 | 80 | 117½ | 0 | 9.22 |
| Euro Invest Bk 9⅜ 95 | 200 | 100⅛ | +0⅛ | 9.19 |
| Euro Invest Bk 10½ 94 | 130 | 105⅛ | +0⅛ | 9.98 |
| Euro Invest Bk 10⅜ 89 | 50 | 106⅛ | −0⅛ | 8.19 |
| Euro Invest Bk 10⅜ 94 | 100 | 106⅞ | +0⅛ | 9.47 |
| Euro Invest Bk 11½ 92 | 75 | 107⅞ | +0⅛ | 9.42 |
| Euro Invest Bk 11⅛ 93 | 50 | 107⅜ | +0½ | 9.65 |
| Euro Invest Bk 11⅜ 96 | 50 | 111⅜ | +0½ | 9.39 |
| Gen Finance 11 90 | 70 | 107 | 0 | 9.08 |
| Giro Vienna 10½ 93 | 60 | 107 | +0⅞ | 9.21 |
| GTE Finance 10⅞ 92 | 50 | 108 | +0⅛ | 9.11 |
| Ireland 10⅛ 95 | 50 | 103⅛ | +0⅞ | 9.89 |
| Italian Govt 10½ 92 | 600 | 105⅛ | +0⅛ | 9.32 |
| Italian Tres 11½ 90 | 60 | 108 | 0 | 9.32 |
| Kredietbank L 9⅜ 92 | 75 | 100⅛ | −0⅜ | 9.28 |
| Megal Finance 11⅜ 94 | 100 | 108⅛ | +0⅞ | 9.74 |
| Nippon Cred Bk 11 91 | 50 | 106⅞ | 0 | 9.27 |
| Nordic Inv 8 94 | 50 | 116⅛ | +0⅜ | 9.23 |
| Post Och Kred 10⅞ 92 | 50 | 105⅛ | 0 | 9.71 |
| Royal Bk Can 10½ 89 | 85 | 104½ | 0 | 8.92 |
| SNCI 10⅞ 94 | 60 | 106⅞ | 0 | 9.62 |
| Swedish Export 11 89 | 57 | 103½ | +0⅛ | 9.69 |
| West LB 10⅞ 91 | 50 | 104⅛ | +0⅛ | 9.80 |
| World Bank 10⅜ 88 | 100 | 105⅜ | +1 | 8.25 |

| AUSTRALIAN DOLLAR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| Nat Aust Bk 12½ 89 | 40 | 91½ | +0⅞ | 16.02 |
| PIBA 12⅛ 89 | 50 | 92⅜ | −9½ | 15.61 |
| State Bk NSW 12⅜ 89 | 40 | 93⅜ | +0⅞ | 14.96 |
| Woolworths 14⅜ 88 | 25 | 99⅜ | +0⅛ | 14.52 |

| STERLING STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| BAT Intnl 10⅜ 91 | 100 | 95⅜ | −0⅛ | 11.79 |
| Denmark 10⅜ 89 | 75 | 97½ | −0⅛ | 11.70 |
| EEC 11⅜ 94 | 50 | 98⅞ | −0½ | 11.61 |
| Europarat 11⅜ 92 | 50 | 97½ | −0⅛ | 11.94 |
| Euro Invest Bk 10⅜ 92 | 50 | 95⅜ | −0⅛ | 11.79 |
| Finland 11⅞ 88 | 50 | 99⅜ | −0½ | 12.08 |
| Grand Met Fin 10⅞ 90 | [illegible] | 95 | −0⅞ | 12.30 |
| Int-Amer Dev 11⅜ 91 | [illegible] | 97⅛ | −0⅛ | 11.98 |
| Int Stand Elec 11⅜ 89 | 50 | 98⅜ | −0⅛ | 11.93 |
| Inv in Indust 11½ 91 | [illegible] | 98 | 0 | 11.73 |
| Ireland 11⅜ 94 | [illegible] | 98 | −1⅛ | 12.15 |
| New Zealand 10⅜ 89 | [illegible] | 95⅜ | −0⅛ | 11.85 |
| SNCF 11⅜ 94 | [illegible] | 98⅛ | −1 | 11.91 |
| World Bank 10⅜ 89 | [illegible] | 97⅜ | −0⅛ | 11.52 |
| World Bank 10⅜ 89 | [illegible] | 97½ | −0⅛ | 11.43 |
| World Bank 11 94 | 50 | 97⅛ | −0½ | 11.60 |

| EQUITY WARRANTS | Expiry date | Price | Chg. on week | Prem |
|---|---|---|---|---|
| Bank Leu Intl | 30/9/88 | 182 | −14 | 10.50 |
| Ciba-Geigy Int £ | 1/11/93 | 573⅜ | −18⅛ | 13.09 |
| Credit Suisse | 31/5/88 | 94⅞ | −7 | — |
| Casio Computer | 6/3/89 | 57 | +6½ | −31.51 |
| ICI Finance | 1/6/90 | 395 | +13⅛ | −0.51 |
| IC Inds. | 15/6/88 | 23½ | −1 | −1.67 |
| Jusco | 22/12/88 | 121 | +9 | −46.01 |
| Minebea Co | 20/2/89 | 50 | −5⅛ | 20.24 |
| Mitsubishi Co | 7/11/89 | 34½ | −2 | −14.75 |
| Mitsui | 10/12/87 | 30½ | +1 | 9.99 |
| Nissho Iwai | 1/2/89 | 23½ | −2⅞ | −4.70 |
| Nomura | 31/10/88 | 73 | +1⅛ | −28.24 |
| Swiss Bank Cpn | 20/12/88 | 134 | −11⅛ | 10.20 |
| Toray Ind | 6/3/87 | 24½ | −4⅛ | −10.77 |
| Veba Intnl | 15/12/8[illegible] | [illegible] | [illegible] | [illegible] |

| BOND WARRANTS | Expiry date | Price | Chg. on week | Ex. yield |
|---|---|---|---|---|
| Aegon Ins 11⅞ 91 | 14/2/88 | 51⅛ | +5⅜ | 10.51 |
| Coca-Cola 11⅜ 91 | 28/11/88 | 82½ | −2⅛ | 9.77 |
| Commerzbk 12⅜ 91 | 21/11/88 | 82⅞ | +0⅞ | 6.01 |
| Du Pont 13⅛ 89 | 25/8/86 | 94⅛ | −3⅛ | 10.75 |
| Eksportfins 13⅛ 89 | 15/8/87 | 98 | −2⅛ | 8.68 |
| Gen Elec 12⅜ 91 | 7/8/87 | 74⅛ | −4⅛ | 7.12 |
| Ind Bk Jpn 12⅞ 91 | 5/10/88 | 108⅛ | +0⅛ | 9.25 |
| Inv in Inds 10½ 91 | 1/12/88 | 90 | +5 | 11.05 |
| McDnlds 11⅜ 94 | 6/1/89 | 62⅞ | +1 | 10.42 |
| Oester Lnbk 13½ 89 | 9/8/87 | 95⅛ | −8 | 6.71 |
| Texaco Cap 12⅞ 92 | 1/9/87 | 64 | −1⅛ | 8.36 |
| Trnto Dom 12½ 91 | 5/4/88 | 103⅜ | +3⅛ | 7.19 |

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

Closing prices on January 24

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

† Perpetual.



## UK GILTS

# Political and oil price doubts cloud market

AT THE start of last week a rise in base lending rates seemed to many the next best thing to inevitable. But by Friday parts of the gilts market were beginning to look as though the Government might win—on interest rates, if not on Westland.

The Bank of England spent much of the previous week hurling liquidity at the shorter end of the market, and this manoeuvre was still in effect up till Wednesday. Thereafter, the authorities gave the impression of falling back on the power of prayer. Helped by a stabilisation of crude oil prices at $18.50 a barrel, the Bank and the Treasury seemed close to holding off a base rate rise, at least until today's emergency debate in Parliament on Westland is over.

One-month interbank rate spent much of Friday below 13 per cent and three-month money fell back to 13⅛ per cent. This still puts pressure on the clearing banks, but it could be good enough to last until next week's Opec (Organisation of Petroleum Exporting Countries) committee meeting, or till a cold spell comes along to prop up oil prices.

Whether or not the Government has lowered its target range for sterling, brokers are growing more relaxed about the chances of holding to inflation targets with a cheaper pound. A trading range of 74 to 80 on the Bank of England's index now causes little anxiety and some analysts argue that at current oil price levels a drop to 70 would not be a damaging overshoot.

However, the market is still holding its breath. "Given the enormous uncertainties on oil and on the political front, I still feel a rise in base rates is very likely over the next week or two," said Dr Richard Golding of Grieveson Grant. "It is clear the Government has decided that one crisis at a time is enough, but it is difficult to see how they can get out of a rise in rates."

If base rates move to 14 per cent then five year stocks could have two points to fall and longer maturities three to four points to match last January's yield levels, when base rates also rose to 14 per cent.

The longer end of the gilt market has been resilient despite interest rate worries, but the continued ramifications of Westland could put paid to that, brokers now feel.

"Political uncertainty is now firmly on the market's agenda," says Mr Peter Fellner of James Capel. "It can be argued that the latest twist in the Westland affair is potentially the most damaging to Mrs Thatcher herself and could thus pose a more serious threat to the long-term credibility of anti-inflation policy than the oil price collapse."

One obvious beneficiary of this is the index-linked sector, which put on a brave show last week after the ignominy of producing a return less than inflation in 1985. After slight gains on Wednesday and Thursday when conventional stocks were losing ground, index-linked gilts gained up to 1⅜ on Friday.

Leading the way was the tap of 2½ per cent index-linked Treasury 2020 which sold out before lunch on Friday at a price of 88⅜ and added another ⅛ of a point before the day was out.

The exhaustion of the 2020s stock leaves the authorities without a tap in the index-linked sector but some brokers believe the Bank has had to buy back stock and could be a seller again this week.

The Bank ended the week by taking onto its own books £1bn of a newly created stock, 10 per cent Treasury 2003. Priced at 93⅞ partly paid it yields 10.53 per cent. With the final instalment not due to April 14, into the next tax year, it adds to the impression that the authorities are fairly relaxed about funding their borrowing requirements.

"There has been a build-up of demand for stock in the gilt edged market in recent days, but it is doubtful whether that demand in itself is sufficient to exhaust this fresh issue," comments Mr Stephen Lewis of Phillips and Drew. "The authorities must be counting on something else to generate demand for gilts, if indeed their actions have an internal logic at all."

Could that something else be the rise in base rates they have resisted so hard for the last fortnight?

**George Graham**

# INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

## Testing time on Wall Street for Murdoch

MR RUPERT MURDOCH'S showdown with UK print unions is likely to cause some nervous tremours on Wall Street, where more than 200 institutions and wealthy investors will soon have to decide whether they will back his $1.55bn plan to challenge the big three US television networks with his new Fox TV network.

The possibility that he may face a prolonged industrial dispute in the UK, the major profit contributor in his worldwide media empire, could threaten his efforts to win Wall Street backing for his ambitious plan to break into US television.

It is almost nine months since the Australian-born publishing entrepreneur announced plans to buy six US TV stations from Metromedia, but it was only last week that the full financial details became available in a 470-page filing with the Securities and Exchange Commission (SEC) which underscores the risks of Mr Murdoch's latest project.

The broad outline of the proposed financing package has been known for some time. Mr Murdoch has inherited some $1.45bn of high risk Metromedia securities, commonly referred to as "junk" bonds which he hopes to swap for $1.5bn of his own "junk" paper — increasing rate exchangeable guaranteed preferred stock in Fox TV.

Interest rates on the Murdoch paper rise from 13 per cent in year one to 15 per cent in year three. To sweeten the deal, Mr Murdoch has promised that if the securities have not been redeemed by 1989, holders will be issued with fractional rights to purchase common shares in News Corporation, his Australian master company.

In addition, there is provision for a standby US public offering of Fox TV preferred stock, in case the Metromedia bond holders fail to take up all the $1.15bn. The securities will be traded on the American Stock Exchange.

News Corporation has already arranged a $670m bank loan, and this is being used to finance the rest of the purchase price and provide some extra working capital for Fox TV.

So far, so good. But what happens after Mr Murdoch takes control? In 1985 Metromedia Broadcasting had an estimated operating cash-flow of $143.9m and while this just about covered the $132.3m of current interest payments, the group is not earning enough money to begin making the $160m a year repayments on the $960m of senior notes which begin falling due in less than two years.

The purpose of Mr Murdoch's refinancing package is to cut the financing costs but, even so, it is clear that News Corporation will have its work cut out to keep its head above water.

On a pro forma basis News Corporation's earnings in its last financial year to end June 1985, and in the first quarter of its current year, would not have been sufficient to meet the payments on the new Fox preferred stock. According to the SEC filing, News Corporation would have had a net loss of A$220.9m (US$158m) in 1984-85, compared with its reported A$143.7m net income available for common shareholders.

Based on Australian accounting principles the acquisition does not lead to any significant change in News Corporation's highly leveraged balance sheet. Long-term debt rises from A$1.12bn at end-September 1985 to A$2.57bn, while stockholders equity rises from A$1.33bn to A$2.96bn on a pro forma basis.

However, if News Corporation's balance sheet is reworked using US accounting principles the result looks very different. Stockholders' equity remains unchanged at A$373m while long-term debt rises from A$1.26bn to A$4.34bn.

The main reason why the pro forma accounts show that News Corporation cannot cover the Fox preferred stock was heavy losses at Twentieth Century Fox, the famous Hollywood film studio, which will supply much of the programming material for Fox TV.

The combination of a new management team and extensive cost cutting returned Fox Film to profit in its latest quarter, and News Corporation says that as long as it does not have to cover any more substantial losses at Fox Film, it believes that it will be able to meet its Fox TV preferred stock obligations.

A second, and more immediate, problem for Mr Murdoch is the tax treatment of the new Fox preferred stock he is preparing to issue. News Corporation wants to treat it as debt but has warned that the US tax authorities could well disagree. This could adversely affect the cash-flow and willingness of existing Metromedia bondholders to opt for Fox paper rather than cash.

Mr Murdoch no doubt believes that the time is ripe to challenge the UK print unions, but if the dispute drags it could undermine financial support for his US adventure.

It will not have escaped the attention of Wall Street's "junk" bond specialists that well over half of News Corporation's operating profits in the latest three months came from the UK.

**William Hall**

## Texaco accounts may be qualified

BY WILLIAM HALL IN NEW YORK

TEXACO, the US oil giant, increased its net income in 1985 by 15 per cent to $1.23bn, but this figure does not include provision for the $11.1bn damages award against the company resulting from its 1984 takeover battle for Getty Oil. As a result the company's 1985 accounts might have to be qualified.

Texaco, which threatened to file for bankruptcy if it was forced to pay the full amount, says it did not make any provisions because the ultimate outcome of the litigation "is not presently determinable." As a result, Arthur Andersen, the company's auditors, has advised Texaco that their opinion may state that "the fair representation of Texaco's financial statements will be subject to the effect of adjustments, if any, that might have been required if the outcome of the litigation had been known."

● Shell Oil, the US subsidiary of Royal Dutch/Shell, showed a 7.4 per cent decline in earnings last year to $1.65bn, although in the final quarter net profits were up 12 per cent to $652m, writes Terry Dodsworth in New York.

Revenues amounted to $20.5bn for the year against $20.9bn in 1984.

### NEW INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Book Runner | Offer yield % |
|---|---|---|---|---|---|---|---|
| **U.S. DOLLARS** | | | | | | | |
| Sumitomo Corpn. ¶‡ | 120 | 1991 | 5 | 4¾ | 100 | Daiwa (Europe) | 4.750 |
| Tanabe Chemical ¶‡ | 30 | 1991 | 5 | 4⅞ | 100 | Nikko Secs. (Europe) | 4.875 |
| W.R. Grace §‡ | 250 | 2001 | 15 | 7 | 100 | CSFB | 7.000 |
| Credit National ‡ | 150 | 1993 | 7 | 8⅛ | 100 | CSFB | 8.125 |
| TRW Inc. ‡ | 100 | 1993 | 7 | 9¾ | 100 | Morgan Guaranty | 9.750 |
| Merrill Lynch ‡ | 200 | 1989 | 3 | 8 | 100⅝ | Merrill Lynch | 8.882 |
| EEC ‡ | 150 | 1991 | 5 | 8⅝ | 100¾ | Citicorp Inv. Bank | 8.593 |
| First Interstate (a)¶‡ | 50 | 1996 | 10 | 20bp | 100 | Nikko Secs. (Europe) | - |
| GMAC ‡ | 250 | 1991 | 5 | 9⅞ | 100¾ | Morgan Stanley | 9.811 |
| Westpac Banking ◊‡ | 100 | 1996 | 10 | 10 | 100⅞ | Morgan Stanley | 9.859 |
| Citicorp ‡ | 200 | 1996 | 10 | 10 | 100⅞ | Merrill Lynch | 9.859 |
| Belgium ¶‡ | 400 | 1991 | 5 | (b) | 100.05 | Salomon Brothers | - |
| Mitsubishi Heavy Ind. ¶ | 250 | 1991 | 5 | (4⅝) | 100 | Nikko Secs. (Europe) | - |
| Australia (c)‡ | 200 | 1996 | 10 | 9¼ | 99.55 | Morgan Stanley | 9.537 |
| Australia (c)‡ | 300 | 2006 | 20 | 9½ | 99.29 | Morgan Stanley | 9.553 |
| World Bank (d)‡ | 200 | 2016 | 30 | 9⅝ | 101⅛ | Deutsche Bk Cap.Mkts. | 9.422 |
| Crysler ◊‡ | 100 | 1990 | 4 | 10 | 100¼ | Morgan Guaranty | 9.821 |
| EIB (e)‡ | 200 | 1996 | 10 | 9¼ | 98.70 | Nikko Secs. (Europe) | 9.190 |
| **AUSTRALIAN DOLLARS** | | | | | | | |
| Banca di Roma ‡ | 40 | 1991 | 5 | 14¼ | 100¾ | CIBC | 13.995 |
| DSL Bank ‡ | 40 | 1991 | 5 | 14¼ | 100¼ | J. H. Schroder Wagg | 14.104 |
| SAS ‡ | 50 | 1989 | 3 | 14¼ | 100⅜ | Morgan Stanley | 13.981 |
| Bank of Nova Scotia ‡ | 50 | 1989 | 3 | 14½ | 100½ | Goldman Sachs | 14.152 |
| **D-MARKS** | | | | | | | |
| EIB ‡ | 300 | 1996 | 10 | 5⅜ | 100 | Deutsche Bank | 5.375 |
| Ireland **‡ | 150 | 1996 | 10 | 6⅞ | 100 | Dresdner Bank | 6.875 |
| SBC Finance ¶ | 200 | 1996 | 10 | 2¾ | 100 | Schweizerischer Bankverein | 2.750 |
| Pirelli ¶ | 100 | 1993 | 7 | (3¼) | 100 | BHF-Bank | - |
| CNT ‡ | 200 | 1996 | 10 | 6⅜ | 100 | WestLB | 6.375 |
| Mitsubishi Heavy Ind. § | 200 | 1992 | 6 | (2¾) | 100 | Deutsche Bank | - |
| **SWISS FRANCS** | | | | | | | |
| Nichirei Corp. **¶‡ | 100 | 1991 | - | 2¾ | 100 | UBS | 2.750 |
| Gen. Occidentale | 125 | 1996 | - | (5¾) | | Soditic | - |
| Brierley Inv. § | 100 | 1994 | - | (5) | 100 | Lloyds Bank Int. | - |
| World Bank ‡ | 250 | 2016 | - | 5½ | 99¾ | Credit Suisse | 5.517 |
| Credit Foncier ‡ | 150 | 2001 | - | 5⅛ | 100½ | Credit Suisse | 5.077 |
| Mitsubishi Monsanto **‡ | 20 | 1991 | - | 5⅛ | 99¾ | SBC | 5.308 |
| EIB **‡ | 100 | 1993 | - | 4⅞ | 100 | UBS | 4.875 |
| **ECUs** | | | | | | | |
| Treas. Cp. N.Sth.Wales ‡ | 60 | 1993 | 7 | 8⅝ | 100¾ | Banque Paribas | 8.601 |
| **GUILDERS** | | | | | | | |
| Hunter Douglas **‡ | 50 | 1991 | 5 | 7 | 100 | ABN | 7.000 |
| Air Products **‡ | 100 | 1991 | 5 | 6¾ | 99½ | Amro | 6.872 |
| **LUXEMBOURG FRANCS** | | | | | | | |
| Christiania Bank **‡ | 300 | 1991 | 5 | 9 | 100 | Bq Paribas (Luxe.) | 9.000 |
| **YEN** | | | | | | | |
| Kubota ¶‡ | 20bn | 1991 | 5 | 3 | 100 | Yamaichi Int. (Eur) | 3.000 |
| Beneficial Corp. ‡ | 10bn | 1995 | 10 | 6⅝ | 101 | Yamaichi Int. (Eur) | 6.581 |
| Walt Disney ‡ | 15bn | 1996 | 10 | 6½ | 100½ | Bk of America Int. | 6.565 |
| Swedish Ex. Cr. ‡ | 10.14bn | 1996 | 10 | 6⅝ | 102 | Nikko Secs. (Europe) | 6.349 |
| Goodyear Tire & Rub. ‡ | 15bn | 1996 | 10 | 6⅝ | 100 | Daiwa Europe | 6.625 |
| Korea Exchange Bank ‡ | 30bn | 1996 | 10 | 6.9 | 99.75 | Daiwa Secs. | 6.958 |

*Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ◊ With bond warrants. ‖ Dual currency. (a) 20bp over 6m Libor. (b) Equal to 6m Libor (c) Registered with US S.E.C. (d) Fungible with $300m issue. (e) Bi-annual. Note: Yields are calculated on AIBD basis.

## Jardine Matheson to buy US insurance group

BY DAVID DODWELL IN HONG KONG

HONG KONG-BASED Jardine Matheson Holdings has agreed to acquire Emett and Chandler, the US insurance group, in a US$61.9m deal intended to consolidate the group's place among the world's top insurance brokers.

The acquisition comes as the first concrete sign of recovery at Jardine after two embattled years marked by high debt, heavy provisions against extraordinary losses, and a programme of property and ship disposals. It also marks a dilution of the group's dependence on Hong Kong-based operations.

Jardine, a diversified group with interests in financial services, marketing, engineering and property, is to pay US$19 in cash for each of the 3.26m shares in Emett and Chandler.

Emett will be merged with the Jardine insurance brokers group, whose US subsidiary ranks as the country's 11th largest broker. Emett and Chandler is ranked just behind Jardine's US subsidiary, and had revenues in 1985 of about US$45m. Emett's strong business providing insurance services to major US corporations is seen as complementary to Jardine's current US business.

Jardine's insurance business has expanded rapidly since 1979, when it did not rank among the world's top 80 insurance brokers. Since the rapid expansion in Europe and the US has been complemented by a collaboration agreement with C. Itoh, Japan's third largest trading house, and with the acquisition of Australian insurance brokers, to make Jardine the fourth-largest broker in Australia. The group said yesterday the new combined group would have revenues amounting to US$170m, and would be the eighth largest insurance group in the world.

The acquisition is a measure of Jardine's recovery after three years dominated by disaster management in the wake of the 1982 collapse of the local property and stock markets.

The purchase in late 1980 of a strategic 36 per cent stake in Hongkong Land for HK$6bn effectively crippled the company. Hongkong Land went to the verge of bankruptcy in the property market collapse, and even now its share value is barely half that paid by Jardine in 1980. Hongkong Land has paid no dividends, and instead has cost Jardine dearly in its share of interest payments due on the property group's HK$11bn debt.

Investments since 1980 in shipping, offshore, oil, and property, have also been acknowledged as mistaken and costly, and the group is in the process of disentangling itself from them. It is selling its fleet, which now consists of nine vessels compared with a peak of 35, and has disposed of properties in London, Hawaii and Hong Kong.

Jardine is expected to show a strong recovery from 1984 losses passing HK$900m when it reveals 1985 results in March. Provisions against losses in oil operations and in shipping are still expected, but these have been offset by the extraordinary gains from property sales.

Its own debts have been trimmed hard – from HK$4.7bn at the end of 1984 to perhaps half that figure at the end of 1985 – and as local interest rates have fallen, so the debt repayment burden has been lightened. The drain into Hongkong Land has also eased as that group's debt costs have fallen, and as it edges back into profit. The US acquisition also reduces Jardine's dependence on Hong Kong, where it has one third of its affiliates, three quarters of its assets (most of these tied up in Hongkong Land) and about a half of its earning power.

Hong Kong commentators made no particular reference to this dilution yesterday – which may come as a relief to Jardine executives, who still remember keenly the outcry when the group moved its corporate domicile to Bermuda in the middle of 1984. This move was widely regarded as a vote of no confidence in Hong Kong's future at a time when secret Sino-British negotiations on the territory's future were in progress, and worries over the fate of the territory were acute.

# Yarrow expects 96% profits jump to £3m

BY CHARLES BATCHELOR

Yarrow, the engineering group fighting off a £16.5m takeover bid from Weir Group, its Glasgow neighbour, yesterday forecast its pre-tax profits would rise 96 per cent to at least £3m in the year ending June 1986.

It promised shareholders a near 17 per cent increase in dividend, from 12p to 14p. Mr Harry Fryer, managing director, said this relatively small rise compared to the profits jump was "a dividend we can live with in future."

The forecast profit increase is partly due to a £500,000 contribution from a pension payment holiday and the absence of the £400,000 stock write-offs at Yarrow's Control Systems subsidiary which depressed the previous year's figures.

Yarrow has, however, calculated it faces a £500,000 extraordinary charge relating to a potential loss on the sale of its gilt portfolio and the cost of its defence against the Weir bid.

It is selling its gilts at a potential book loss to pay shareholders £7m out of the compensation received for the nationalisation of its shipbuilding yards in 1977.

Weir was critical of the pension holiday contribution to Yarrow's profits and accused Yarrow of borrowing Weir's ideas in the scheme chosen to make the £7m compensation payment.

Weir said it would publish a profit estimate for the year 1985 by the end of this month.

Weir received acceptances to its offer from the holders of just 0.12 per cent of Yarrow's shares by Thursday's second closing date, though it already owns 28.2 per cent. It extended its offer to February 14.

Terms of the offer are seven shares, 320p of A loan notes or cash, and 20p of B loan notes in Weir for every two Yarrow shares. Taking the loan notes at par and Weir's share price at 69p, the bid was worth 411.5p per share compared with Yarrow's closing price on Friday of 500p.

# Astra losses increase to £139,000 halfway

The loss at Astra Industrial Group, engaged in engineering, leisure activities and property, rose from £63,000 to £139,000 in the half year ended October 31 1985, although turnover was ahead from £1.97m to £2.55m.

Astra has been in loss for the past two financial years, incurring £1.46m in 1983-84 and £102,000 last time. Mr Philip Dobson, the chairman, says the directors continue their programme of recovery and restructuring, and concentrating on those areas which show the best growth potential.

He says in the half year engineering turnover improved from £1.57m to £2.15m, as the new acquisitions made their mark — Ibis Manufacturing £426,000 and Cresta Technology £238,000. The Ibis contribution was not as a great as expected because of difficulties in the manufacture and fabrication of components, but Cresta made a significant contribution.

Mainstream divisional products suffered from a similar sales pattern to previous years, and the policy of easing seasonal fluctuation in turnover has not flowed through. Engineering trading profit was £100,000 (£183,000).

The leisure division maintained turnover at £337,000 (£330,000) and trading profit at £29,000 (£31,000) despite the disturbance caused by a major reorganisation.

Mr Dobson says close attention is being paid to the disposal of the property investment portfolio as there is no intention of increasing in that field. Proceeds will be used to reduce borrowings and assist in the trading growth. Turnover came to £65,000 (£70,000) and trading profit to £1,000 (£22,000).

## Newman Tonks

McKechnie Brothers, the plastic and non-ferrous metals group which last Thursday launched a £62m takeover bid for Newman Tonks Group, has increased its shareholding in Newman to between 9 and 10 per cent.

McKechnie announced on Friday it had bought 2.45m shares, or 5.5 per cent of Newman. It has since purchased further shares taking its holding to just over 4m.

Newman has rejected McKechnie's two-for-three share offer.

# Guinness denial over sale of Bells

By Mark Meredith

MR ERNEST SAUNDERS, chief executive of Guinness, yesterday firmly denied a press report that the merged Guinness/Distillers group would sell off the Scotch whisky subsidiary Arthur Bell & Sons, which Guinness acquired last year.

Guinness is anxious to avoid having its agreed £2.2bn bid for Distillers referred to the Monopolies Commission, when the rival £1.9bn offer from Argyll Group has already been cleared.

At a press conference in Glasgow yesterday, Guinness produced figures to show that DCL and Bells combined would control 37.4 per cent of the UK malt and grain whisky production capacity. That figure in 1981 would have been 44 per cent. But DCL has closed 11 distilleries since 1982 and mothballed ten; it now runs 24 malt distilleries and four grain distilleries.

Mr Saunders also said the Scottish hotels in the Gleneagles group would be retained by Guinness. However, the future of the new Piccadilly Hotel in London remained under review, and he indicated that it might be sold off in favour of another London hotel to feed tourists to the three hotels in Scotland.

Last week Guinness said that a review of the Gleneagles group has been completed and a strategy for the hotels developed.

Gleneagles Hotel in Perthshire is to be maintained and expanded to attract more winter visitors, drawing on the experience of the Guinness Champney's health resort at Stobbo.

Doubts arose about Gleneagles when Guinness announced the review, and the hotel group's management began seeking financial support for a possible buy out.

## F.T. Share Information

The following securities have been added to the Share Information Services:

Avana Group (Section: Food, Groceries)
Cowells (Paper, Printing and Advertising)
Crests (Hotels and Caterers)
Hampden Homecare (Drapery and Stores)
Merivale Moore (Property)
Monks & Crane (Industrials)
SPP (Engineering)
Sterling Publishing Group (Paper, Printing and Advertising)
TMD Advertising Holdings (Paper, Printing and Advertising)
United Friendly Insurance (Insurance).

ASDA PROPERTY'S CANCELLED DEBENTURE ISSUE

# Hedging against the future

BY LUCY KELLAWAY

EARLY LAST Monday morning the Stock Exchange was notified of the first debenture of the year: a £9m issue from Asda Property. Unfortunately for Asda, it was a sorry day on the gilt market, and by mid afternoon, when the price was due to be fixed, a second notice was delivered to the stock exchange—the issue had been cancelled.

Asda has not been the first company to pull an issue because interest rates have moved against it. It could, however, be the last, as it is now possible to use financial futures to hedge against a damaging rise in interest rates.

The need for a hedge arises because of the gap between the time when a company decides to raise money and joins the Government Broker's queue, and the impact day of the issue. This takes at least a month, during which the gilt market could change dramatically.

In mid-December, when Asda joined the queue, long yields were 10½ per cent; but by 3 pm on Monday they had reached 11 per cent, adding nearly £50,000 onto the annual interest bill. While many companies have been caught out by such a movement, Asda is only unusual because it withdrew at the very last moment.

Instead of taking this risk, a company can lock in the exact proceeds and the interest rate as soon as it knows the impact day by entering into a futures transaction through the long gilt contract on Liffe.

So far, however, only one fully hedged debenture issue is believed to have been done. Last October Hill Samuel raised £20m for Haslemere Estates and guaranteed interest rates and proceeds several weeks in advance.

Laing & Cruickshank, Asda's advisers, said they were put off using Liffe because of the expense. "We looked at the possibility of hedging but decided that in terms of pure protection the cost wasn't worth it."

In fact the costs of such a hedge are very low, especially compared to huge fees involved in a debenture issue. Haslemere paid about £20,000 (about 0.1 per cent of the amount raised), an insignificant proportion of total costs of about £275,000.

The costs of not hedging can be enormous, however. Pulling an issue, especially at the 11th hour, means some duplication of both effort and fee. It can also be a great inconvenience, as the company has go to the back of the queue. Going ahead with an issue at inflated rates can prove more expensive still.

"I'd be surprised if financial directors in the future will accept the risks of an unhedged issue," says Mr Trevor Swete, head of the corporate finance department at Hill Samuel.

The Liffe gilt contract works like all other hedges: the profit or loss made on the futures contract offsets the profit or loss made in the gilt market from the movement in interest rates.

To hedge a debenture issue the contracts are sold when the company joins the queue, and bought back on impact day when the issue is actually priced.

Unlike futures markets in the US where hedging bond issues is commonplace, Liffe is still not liquid enough to make such a transaction easy.

"You've got to be a capable dealer to hedge around an interest rate," says Mr Swete. "If people in the market see you coming the rate can move against you."

The futures contract is based on a hypothetical 20-year gilt with a 12 per cent coupon. It provides a good—though not perfect—hedge against stocks used as a reference point for a typical 20-year debenture. At the moment, most issues are being priced against a gilt, or basket of gilts, with a coupon of between 10½ per cent and 13¼ per cent in the 2000-2008 maturity range.

# Real Time sees full year improvement

Continuing efforts to improve margins enabled USM concern Real Time Control to maintain first-half trading profits at £70,000, against £68,000. This was in spite of a reduction in turnover from £1.89m to £1.59m, following the elimination of some unprofitable activities.

But with net investment income lower at £35,000 (£50,000), pre-tax profits of this computer systems and terminals group showed a reduction from £118,000 to £105,000 for the half year to September 27 1985.

Entering the final quarter of the year, the company is encouraged that the benefits being derived from the actions taken within the group, and the current level of demand, will give a satisfactory improvement in profit for the full year and will continue to enhance the strength of the balance sheet.

Despite a difficult start to the year at Rotec, the company is currently enjoying record demand for its product and is expected to continue its growing contribution to the group.

Tax for the half year took £39,000 (£44,000) giving stated earnings per 5p share of 0.95p (1.06p). In line with previous years, there is no interim dividend—last year's single payment was 2p net on £312,000 profits.

## SHARE STAKES

Changes in company share stakes announced over the past week include:

Breedon and Cloud Hill Lime Works — IEP Securities, a subsidiary of Industrial Equity, is entitled to 335,000 ordinary shares.

Berkeley and Hay Hill — Mr C. J. Smith, a director, has disposed of 1.5m ordinary shares (1.65 per cent).

London and Strathclyde Trust —Briconin Investments has acquired 250,000 ordinary stock units. With £187,843 preferred stock and 2.983m ordinary stock units already held by associated persons (representing 28.73 per cent of total voting rights), the interest now amounts to total holdings of £187,843 preferred stock and 3.233m ordinary stock units, representing 29.99 per cent of voting rights.

Ferranti—B. R. V. Z. de Ferranti, director, disposed of 200,000 ordinary shares at 142p, 500,000 at 145p, and 100,000 ordinary at 147p. His total holding now stands at 5,326,550 shares (1.24 per cent).

Chloride — Sir Alastair Pilkington, director, has purchased 16,000 ordinary shares at 41p.

Ratners (Jewellers) — L. M. Ratner, director, has disposed of 50,000 ordinary shares and now holds 2,720,900 (8.3 per cent).

Boase Massimi Pollitt — D. S. Cowan, director, has sold 30,000 shares at 237p and J. C. Powell, director, has sold 20,000 shares at 237p.

Horizon Travel — K. M. Franklin, director, has sold 40,000 shares and now holds 41,626.

Christy Hunt — D. J. Wormall, managing director, disposed of 40,000 shares and now holds 101,945 (just under 2 per cent).

Henderson Administration — H. M. Priestley, director, sold 30,000 shares at 970p.

Clyde Petroleum — Director S. D. Rendall and his wife sold a total of 30,000 ordinary at 62p.

## FINANCIAL DIARY FOR THE WEEK

The following is a record of the principal business and financial engagements during the week. The board meetings ar mainly for th purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY
COMPANY MEETINGS—
[illegible]

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

TOMORROW
COMPANY MEETINGS—
[illegible]

WEDNESDAY, JANUARY 29
COMPANY MEETINGS—
[illegible]

THURSDAY, JANUARY 30
COMPANY MEETINGS—
Brown (Matthew), Trafalgar Hotel, Preston New Road, Salmesbury, Preston, Lancs. 12.00
[illegible]

FRIDAY, JANUARY 31
COMPANY MEETINGS—
[illegible]

SATURDAY, FEBRUARY 1
DIVIDEND & INTEREST PAYMENTS—
[illegible]

SUNDAY, FEBRUARY 2
DIVIDEND & INTEREST PAYMENTS—
[illegible]



## FINANCIAL TIMES STOCK INDICES

| | Jan. 24 | Jan. 23 | Jan. 22 | Jan. 21 | Jan. 20 | Jan. 17 | 1985/86 High | 1985/86 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs. | 80.74 | 80.45 | 80.52 | 80.56 | 80.59 | 81.28 | 84.67 | 76.02 | 127.4 | 49.18 |
| Fixed Interest | 86.78 | 86.65 | 86.65 | 86.71 | 86.88 | 87.10 | 90.38 | 83.17 | 150.4 | 50.53 |
| Ordinary | 1126.2 | 1120.4 | 1125.8 | 1108.7 | 1106.1 | 1118.7 | 1146.6 | 911.0 | 1146.6 | 49.4 |
| Gold Mines | 327.5 | 334.3 | 335.3 | 341.8 | 339.5 | 345.0 | 536.9 | 287.9 | 734.7 | 43.5 |
| FT-Act All-Share | 673.59 | 669.78 | 673.55 | 667.34 | 669.63 | 676.38 | 702.06 | 591.96 | 702.06 | 61.92 |
| FT-SE100 | 1392.0 | 1382.8 | 1390.9 | 1378.1 | 1378.3 | 1396.0 | 1455.3 | 1206.1 | 1455.3 | 986.9 |





## Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers
8 Lovat Lane London EC3R 8BP Telephone 01-621 1212

### Over-the-Counter Market

| Capitalisation £000's | Company | Price | Change on week | Gross div.(p) | Yield % | P/E Actual | P/E Fully taxed |
|---|---|---|---|---|---|---|---|
| 4,027 | Ass. Brit. Ind. Ord. | 118 | — | 6.4 | 5.4 | 7.2 | 8.7 |
| — | Ass. Brit. Ind. CULS | 123 | +2 | 10.0 | 8.1 | — | — |
| 4,032 | Airsprung Group | 70xd | −3 | 6.4 | 9.1 | 11.7 | 15.2 |
| 875 | Armitage and Rhodes | 35 | −3 | 4.3 | 12.3 | 4.3 | 6.2 |
| 52,691 | Bardon Hill | 295 | +1 | 4.0 | 2.4 | 20.9 | 21.7 |
| 3,082 | Bray Technologies | 56 | +1 | 3.9 | 7.0 | 6.8 | 7.9 |
| 476 | CCL Ordinary | 132 | — | [illegible] | [illegible] | [illegible] | [illegible] |
| 1,212 | CCL 11pc Conv. Pf. | 101 | — | 15.7 | 15.5 | — | — |
| 8,986 | Carborundum Ord. | 116 | — | 4.9 | 4.2 | 9.7 | 9.0 |
| 637 | Carborundum 7.5pc Pf. | 91 | — | 10.7 | 11.8 | — | — |
| 4,461 | Deborah Services | 57 | — | 7.0 | 12.3 | 5.9 | 7.8 |
| 3,034 | Frederick Parker | 91 | — | [illegible] | [illegible] | [illegible] | [illegible] |
| 1,679 | George Blair | 91 | +3 | — | — | 3.7 | 8.7 |
| 2,437 | Ind. Precision Castings | 60 | −1 | 3.0 | 4.9 | 16.0 | 13.5 |
| 13,333 | Isis Group | 169 | −4 | 15.0 | 8.9 | 12.9 | 19.3 |
| 6,197 | Jackson Group | 119 | −3 | 5.6 | 4.8 | 8.0 | 8.0 |
| 41,900 | James Burrough | 300 | −1 | 15.0 | 5.0 | 8.6 | 8.5 |
| 3,317 | James Burrough 9pcPf. | 95 | — | 12.9 | 13.6 | — | — |
| 7,295 | John Howard and Co. | 70 | −1 | 5.0 | 7.1 | 5.6 | 8.8 |
| 3,240 | Linguaphone Ord. | 180 | — | 5.0 | 2.8 | 6.6 | 6.8 |
| 2,240 | Linguaphone 10.5pc Pf. | 90 | — | 15.0 | 16.7 | — | — |
| 25,678 | Minihouse Holding NV | 785 | +45 | 6.3 | 0.8 | 34.3 | 32.8 |
| 714 | Robert Jenkins | 70 | −3 | — | — | 8.2 | 20.0 |
| 3,275 | Scruttons "A" | 55 | — | 3.7 | 6.7 | 8.3 | 8.5 |
| 1,260 | Torday and Carlisle | 325 | — | 4.3 | 1.3 | 10.5 | 18.2 |
| 1,473 | Trevian Holdings | 58 | — | 2.1 | 3.2 | 10.8 | 10.6 |
| 3,290 | Unilock Holdings | 90 | — | 4.6 | 5.1 | 7.6 | 10.6 |
| 16,921 | Walter Alexander | 200 | — | 4.2 | 4.6 | 5.8 | 10.3 |
| 4,608 | W. S. Yeates | 200 | — | 17.4 | 8.7 | 8.7 | 9.8 |

s = Suspended.

## EQUITIES

| Issue price p | Amount paid up | Latest Renunc. date | 1985/6 High | 1985/6 Low | Stock | Closing price p | + or − | Net dividend | Times covered | Gross yield | P/E ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | | |

## FIXED INTEREST STOCKS

| Issue price £ | Amount paid up | Latest Renunc. date | 1985/6 High | 1985/6 Low | Stock | Closing price £ | + or − |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

## RIGHTS OFFERS

| Issue price p | Amount paid up | Latest Renunc. date | 1985/6 High | 1985/6 Low | Stock | Closing price p | + or − |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

Renunciation date usually last day for dealing free of stamp duty. [illegible]

## PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

| | Date | Announcement last year | | Date | Announcement last year |
|---|---|---|---|---|---|
| [illegible] | | | | | |

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

## BOARD MEETINGS

TODAY

[illegible]

FUTURE DATES

[illegible]

## BANK RETURN

### BANKING DEPARTMENT

| | Wednesday January 22 1986 £ | Increase (+) or decrease (−) for week £ |
|---|---|---|
| **LIABILITIES** | | |
| Capital | 14,553,000 | — |
| Public Deposits | 4,317,061,315 | +1,381,124,446 |
| Bankers Deposits | 833,424,533 | −38,175,201 |
| Reserve and other Accounts | 1,725,614,211 | +111,934,936 |
| | 6,890,752,838 | +1,464,884,181 |
| **ASSETS** | | |
| Government Securities | 778,607,771 | +32,910,000 |
| Advance & other Accounts | 576,185,314 | +27,923,177 |
| Premises Equipment & other Secs. | 5,527,769,256 | +1,393,680,556 |
| Notes | 7,802,361 | −2,455,466 |
| Coin | 380,136 | +6,772 |
| | 6,890,752,838 | +1,464,884,181 |

### ISSUE DEPARTMENT

| | £ | £ |
|---|---|---|
| **LIABILITIES** | | |
| Notes in circulation | 11,922,197,639 | −117,544,534 |
| Notes in Banking Department | 7,802,361 | −2,455,466 |
| | 11,930,000,000 | −120,000,000 |
| **ASSETS** | | |
| Government Debt | 11,015,100 | — |
| Other Government Securities | 2,267,191,716 | +493,131,308 |
| Other Securities | 9,651,793,184 | −613,131,308 |
| | 11,930,000,000 | −120,000,000 |

ARGYLL GROUP PLC

Argyll Group PLC
8 Chesterfield Hill
London W1X 7RG
Telephone 01-493 0808
Telex 24546

26th January 1986

Dear Shareholder

**The Argyll Bid for Distillers**

As you know, we made a formal offer for The Distillers Company plc on 17th December 1985.

On 9th January 1986 the Secretary of State for Trade and Industry announced that, following consideration by the Office of Fair Trading of the issues involved, Argyll's offer would not be referred to the Monopolies and Mergers Commission.

On 20th January 1986 Distillers' directors capitulated to arguments that they needed new management by recommending acceptance of a bid from Guinness. It is reported that they have even agreed to meet the considerable expense of this proposed rescue.

On the same day, 20th January 1986, the Office of Fair Trading confirmed to Argyll, "There is no, repeat, no question of any bidder having been told at this time that any bid other than that by Argyll for Distillers would not be referred to the Monopolies and Mergers Commission for fuller investigation".

In other words, Guinness' bid has to be fully examined and may be referred to the Monopolies and Mergers Commission.

Meanwhile, Argyll's offer remains open for acceptance. It is the only bid which has been cleared by the Secretary of State.

Yours sincerely

James Gulliver

James Gulliver
Chairman

**Argyll. We can revive Distillers' spirits.**

# CONSTRUCTION CONTRACTS

## Golf course for Sarawak

BALFOUR BEATTY CONSTRUCTION INTERNATIONAL has been awarded a US$24m (£17m) contract to design and construct an 18 hole international golf course, some 280 resort houses, golf clubhouse, facilities and infrastructure for the Damai beach resort in Sarawak, east Malaysia. The contract has been placed by PPES Resorts Sdn Bhd, a wholly owned subsidiary of the Sarawak Economic Development Corporation. Balfour Beatty will be working with local architects, Malaysian Associate Architects (MAA), an architectural practice in Malaysia, and the Robert Trent Jones II Group of America.

★

WILCON CONSTRUCTION, the building division of Wilson (Connolly) Holdings, has signed four contracts worth over £2.6m. Three of the contracts are residential and at just over £1m the largest is to build a 22-house mews court development at Munster Road, Fulham, for Usborne Developments. Wilcon has also negotiated the second phase of Epsom Estates' 75 one-bed flat development at Thurlow Park Road in Dulwich. In Rugby, for the Borough Council, the Coventry office is building 31 elderly persons flats in a contract worth £685,000. The fourth contract, in Milton Keynes, is to build a 9,000 sq ft three-storey office block for Chapman Dunlop and Partners. Work has started on all four contracts and all are scheduled for completion in 1986.

## Airport project for Wimpey

WIMPEY ASPHALT, a subsidiary of George Wimpey, has been awarded a £6m contract by the Ministry of International Transport, Government of Barbados, for the rehabilitation of the runway at Grantley Adams International Airport, Barbados. The work consists of excavation and reconstruction of the touchdown area, and relevelling and resurfacing the whole of the runway using 47,000 tonnes of "Marshall Asphalt." Associated works will include construction of hard shoulders through the length of the runway, grooving and runway markings together with reconstruction and installation of new airfield lighting facilities. Due for completion in August, the improvement work will be carried out during the night, between the hours of 11 pm and 7 am, to prevent disruption to aircraft movements.

The southern region of WIMPEY CONSTRUCTION UK has been awarded a £4.29m contract by Enterland Estates to build a shopping complex, comprising superstore, to be occupied by Gateway Foodmarkets, and 10 shop units situated on each side of a pedestrian precinct, with a two-level car park, service yards and a clock tower. The development is to take place on the old college car park site in Hawley Street, Margate. The superstore and shop units are to be built on a suspended deck of concrete waffle construction, supporting a steel-framed superstructure and precast concrete upper floors. The lower car park and service yards are to be built on reinforced concrete slabs with walls and columns bearing on pile caps and driven piles. Roofing to all the perimeters is to be flat asphalt covered decks with mansard decks and aluminium cladding. Walls are faced in quality stock facing brick. The work, due for completion in December, also includes extensive landscaping, drainage and roadworks.

## £8m mixed batch for E Thomas

Contracts in the south west and Channel Islands worth more than £8m have been won by E. THOMAS AND COMPANY, part of the Mowlem group. The largest contract is at Whiddon Down, Devon, where a £2.25m sub-contract has been received for bridges and culverts for a new dualled section of the A30 being constructed by Wimpey Construction UK. The section will run from the existing dual carriageway west of Exeter to join the start of the proposed Okehampton bypass. The work comprises the building of a river bridge, six road overbridges, two farm access underbridges, two box culverts and four Armco culverts. The work is due for completion in December.

Following the award of the demolition contract at Garras Wharf, Truro, E. Thomas has now been awarded a £940,000 contract for the construction of a single-storey warehouse and showroom for United Builders Merchants, together with site works, drainage and incoming services. The scheme will be completed on behalf of Norcros Investments and starts, shortly for completion in July.

The civil engineering department has been awarded a £504,000 contract from the same client to construct an enlarged roundabout and a new link road to serve the Garras Wharf redevelopment area.

A £775,500 contract has been placed for the construction of the shell, drainage and external works for a supermarket for Fine Fare at Bude. The client is Headway Construction Company. E. Thomas continues its association with South West Regional Hospital Association with a £472,000 contract to construct a two-storey extension to the existing radiotherapy department at Freedom Fields Hospital, Plymouth.

At Gulval, Penzance, work has started on phase two of a £402,600 contract which comprises the construction of 18 pairs of holiday bungalows for Kenegie Manor, together with external works and drainage connections. The Devon office has won a £310,000 contract to construct a steel-framed, metal-clad factory incorporating single storey offices for Kea-Flex (Mouldings) at Bordon in Hampshire.

At Barnstaple a £230,000 contract has been awarded by South West Water for tidal defence works. The project involves the construction of sheet piled walls to the river bank, complete with reinforced concrete capping beams.

## Major refurb in Glasgow

The Glasgow based GA GROUP has won a package of contract awards worth £11m. As part of the total, GA Management has been awarded a £4.4m management contract for the refurbishment of Glasgow's Sauchiehall Street shopping centre. Among the contracts awarded to GA Construction are: a £2m advanced factory development at Deans, South-West, for the Livingston Development Corporation, alterations and additions to a factory unit at Glenrothes for the SSEB worth £1.6m, a £1.99m refurbishment of offices at Broomhouse Drive, Edinburgh, for the PSA. Awards to GA General Works include refurbishments to the Prince and Princess of Wales Hospice in Glasgow, the provision of new banking facilities for the Bank of Scotland at Waterloo Street, Glasgow, alterations and improvements to the public baths at Clydebank, and upgrading of ward I at Duntocher Hospital.

★

W. C. HILTON & SONS has been awarded four contracts totalling in the region of £5m. They include: 72 dwellings (a redevelopment site) at Beaver Lane, Ashford, Kent, on behalf of the Ashford Borough Council, worth £2.26m; 40 high quality houses to be built at Nine Mile Road, Wokingham, Berkshire, on behalf of CALA Homes (Southern) at a cost of £1.8m; a four-storey office block of around 15,000 sq ft at Queens Road, East Grinstead, Sussex, on behalf of Spicemoor, part of the Grosvenor Square Properties Group, value £797,463, and construction of St Peter's Primary School, Ardingly, West Susex.



## £2m stores for Fleet

HUNTING GATE DESIGN & BUILD has secured a further £10m of new business. The projects include two central stores buildings for the North West Thames Regional Health Authority with a joint value of around £2.5m, an office development at Fleet for Whitecroft, a 24-bedroom hotel extension for Kingsmead Hotels at Wallingford and a fitting out contract for GEC General Signals at Borehamwood. Other work includes a manufacturing facility at Kentish Town, a development of luxury houses at Dollis Hill for OBA, and a supermarket and multi-storey car park at Lytham St Annes for Safeway Food Stores.

★

TAYLOR WOODROW CONSTRUCTION (SCOTLAND) of Glasgow, has received a contract, worth £456,000, from Honeywell Control Systems for refurbishment of part of its offices at Newhouse Industrial Estate, Motherwell. The contract calls for the design and management of the refurbishment and upgrading of external elevations.

# UK NEWS

## Clayton Dewandre to seek radical labour pact at British plant

BY DAVID THOMAS, LABOUR STAFF

A US-owned company has put pay and conditions proposals to workers at its Lincoln plant similar to the give-back or buy-back deals which have taken place in the US.

Under these agreements pay is cut substantially and radical change made in conditions of employment in order to save jobs. These deals have been rare in Britain, however.

Clayton Dewandre, which makes brake systems for commercial vehicles and which is owned by American Standard, the diversified US group, says that it will close its Titanic plant at Lincoln in the east of England unless its workers individually sign a new pay and conditions package.

The company wants to make some of its Lincoln workers, believed to be about 250, redundant in any case, but the remaining jobs, believed to number 400, depend on acceptance of the new terms.

The terms include:

- A new payment system which, the unions estimate, will lead to pay cuts of 10 to 20 per cent.
- Agreement that management will choose which individual workers to make redundant, overriding the traditional system of "last in, first out."
- Signing away of workers' rights to complain to an industrial tribunal about the redundancy arrangements.
- No industrial action by any employee until after a secret ballot of all employees.
- A single union deal with the engineering union, AUEW. At present seven unions are recognised in the plant.

The company has drawn up, with the help of lawyers, a 77-page employees' handbook, which sets out its new employment package. This requires complete flexibility, not just in the tasks performed by workers, but also in their place of work.

It says that employees must work at any of the company's establishments, or at any other place even if this results in the loss of status or pay or both. The company also has plants in Rugby, Portsmouth and Leeds.

The handbook says that the company may at its discretion alter the wages system, including payments for shift and overtime working. It also details grounds on which employees can be summarily dismissed, including refusing to be searched by a company representative and refusing to respond to a company request for a death certificate when asking for leave because of death in the immediate family.

The Lincoln workforce has voted to resist the measures. The company and unions are due to discuss them today.

## Dried fruit importers to test EEC price rule

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE VALIDITY of Common Market regulations imposing a minimum import price – and a penalty for undercutting – in respect of dried grapes from outside the Community is to be challenged in the European Court of Justice.

The National Dried Fruit Trade Association, which represents most UK dried fruit importers and distributors, complains that its members are suffering substantial and unnecessary inconvenience, loss and expense in complying with what it asserts is an unlawful system.

The UK is the world's largest dried fruit importer and by far the largest consumer in the EEC.

The association has started a High Court action against the Customs and Excise, which enforces the regulations in the UK, seeking a ruling that the regulations are unenforceable.

The High Court last week referred the matter to the European Court in Luxembourg for a preliminary ruling on the validity of the regulations under the Treaty of Rome.

The association's main attack is on a "countervailing charge" imposed by the Customs and Excise when imports are priced below the minimum import price (MIP).

Its complaint is that, until last September, the charge was a flat-rate one – about 20-25 per cent of the MIP – and was the same whether the import price was one penny or £1 below the MIP.

In September, the system was changed to introduce a sliding scale of charges, which the association still regards as "draconian."

It claims that the MIP itself has been fixed at an unjustifiably high level – often more than $50 a ton higher than the price of dried grapes from Greece, the only Community producer.

Importers are often faced with the choice of paying the countervailing charge or in some way arranging to increase the price agreed with the sellers. The effect of the system, the association says, has been to subsidise third-country producers "by this unwarranted outflow of Community funds."

## EEC's regional policies 'now more decentralised'

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

THE ADMINISTRATION of regional policy throughout the EEC has been increasingly decentralised in the last few years. The aim has been to improve the efficacy of regional policy and make it more relevant for encouraging indigenous investment by contrast with inward investment.

These conclusions are reached by Professor Kevin Allen and Mr Douglas Yuill in the 1986 edition of European Regional Incentives published today.

The move towards more discretion in the administration of regional incentive schemes, introduced in Britain late in 1984, has also become more widely accepted throughout Europe.

The shift away from automatically weighted schemes is understandable, the authors state, in times of public spending constraints since mandatory grants are seen within government as giving rise to unnecessary windfall gains for companies which happen to be in the right place at the right time.

The book covers all 12 member states of the European Economic Community together with Sweden. The authors warn that, although the tide is flowing strongly in favour of discretionary assistance schemes, there are drawbacks.

*European Regional Incentives: 1986 edition. Edited by Douglas Yuill and Kevin Allen. From: Centre for the Study of Public Policy, University of Strathclyde, Glasgow G1. Price: £30 paperback; £40 hardback.*

### BASE LENDING RATES

| | | | |
|---|---|---|---|
| ABN Bank | 12½% | ■ Guinness Mahon | 12½% |
| Allied Dunbar & Co. | 12½% | ■ Hambros Bank | 12½% |
| Allied Irish Bank | 12½% | Heritable & Gen. Trust | 12½% |
| American Express Bk. | 12½% | ■ Hill Samuel | §12½% |
| Amro Bank | 12½% | C. Hoare & Co. | †12½% |
| Henry Ansbacher | 12½% | Hongkong & Shanghai | 12½% |
| Associates Cap. Corp. | 12½% | Johnson Matthey Bkrs. | 12½% |
| Banco de Bilbao | 12½% | Knowsley & Co. Ltd. | 13% |
| Bank Hapoalim | 12½% | Lloyds Bank | 12½% |
| Bank Leumi (UK) | 12½% | Edward Manson & Co. | 13½% |
| BCCI | 12½% | Meghraj & Sons Ltd. | 12½% |
| Bank of Ireland | 12½% | Midland Bank | 12½% |
| Bank of Cyprus | 12½% | ■ Morgan Grenfell | 12½% |
| Bank of India | 12½% | Mount Credit Corp. Ltd. | 12½% |
| Bank of Scotland | 12½% | National Bk. of Kuwait | 12½% |
| Banque Belge Ltd. | 12½% | National Girobank | 12½% |
| Barclays Bank | 12½% | National Westminster | 12½% |
| Beneficial Trust Ltd. | 12½% | Northern Bank Ltd. | 12½% |
| Brit. Bank of Mid. East | 12½% | Norwich Gen. Trust | 12½% |
| ■ Brown Shipley | 12½% | People's Trust | 13½% |
| CL Bank Nederland | 12½% | PK Finans. Intl. (UK) | 13% |
| Canada Permanent | 12½% | Provincial Trust Ltd. | 13% |
| Cayzer Ltd. | 12½% | R. Raphael & Sons | 12½% |
| Cedar Holdings | 13% | Roxburghe Guarantee | 13% |
| ■ Charterhouse Japhet | 12½% | Royal Bank of Scotland | 12½% |
| Citibank NA | 12½% | Royal Trust Co.Canada | 12½% |
| Citibank Savings | ¶12½% | Standard Chartered | 12½% |
| City Merchant Bank | 12½% | TCB | 12½% |
| Clydesdale Bank | 12½% | Trustee Savings Bank | 12½% |
| C. E. Coates & Co. Ltd. | 13% | United Bank of Kuwait | 12½% |
| Comm. Bk. N. East | 12½% | United Mizrahi Bank | 12½% |
| Consolidated Credits | 12½% | Westpac Banking Corp. | 12½% |
| Continental Trust Ltd. | 12½% | Whiteaway Laidlaw | 13% |
| Co-operative Bank | *12½% | Yorkshire Bank | 12½% |
| The Cyprus Popular Bk | 12½% | | |
| Duncan Lawrie | 12½% | | |
| E. T. Trust | 13% | | |
| Exeter Trust Ltd. | 13% | | |
| Financial & Gen. Sec. | 12½% | | |
| First Nat. Fin. Corp. | 13½% | | |
| First Nat. Sec. Ltd. | 12½% | | |
| ■ Robert Fleming & Co. | 12½% | | |
| Robert Fraser & Ptrs. | 13½% | | |
| Grindlays Bank | ‡12½% | | |

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.70%, 1-month 9.05%. Top Tier—£2,500+ at 3 months notice 12.08%. At call when £10,000+ remains deposited.
† Call deposits £1,000 and over 9% gross.
‡ Mortgage base rate.
§ Demand dep. 6¾%. Mortgage 13¾%.

# INTERNATIONAL APPOINTMENTS

## Streicher takes over as Steyr director-general

BY PATRICK BLUM IN VIENNA

MR RUDOLF STREICHER has been appointed director-general of Steyr-Daimler-Puch, Austria's troubled motor, engineering and arms group, to replace Mr Michael Malzacher, who announced last month that he would not seek reappointment when his contract ends next June.

Mr Streicher is currently director-general of Austria Metall, the state-owned metallurgical company. It has not yet been decided when he will take up his new position with Steyr, but a company spokesman said last night that it would be in early March or in April.

Mr Malzacher has had difficult relations with the company's works council at a time when further reductions in the workforce are to be made in accordance with rationalising plans. He has been asked to remain either to head or serve as a consultant to Steyr's military products division.

A majority shareholding in Steyr is held by Creditanstalt Bankverein, Austria's largest bank. Steyr has made losses in recent years partly as a result of the decline of the Western European bicycle and moped industry, through difficulties with some of its operations abroad and through the refusal in 1980 of an export licence to sell Kuerassier light armoured tanks to Chile.

In 1984, it made operating losses of Sch 295m ($17m) following similar losses in the previous year. Its sales have been declining, from Sch 15.14bn in 1983 to Sch 14.6bn in 1984. The deficit for 1985 is expected to be considerably higher, possibly reaching Sch 600m, according to industry analysts.

Last autumn the Government agreed to provide Steyr with Sch 2.6bn in subsidies to help it over its difficulties. Mr Streicher, who is regarded as a tough manager, is expected to accelerate the pace of internal reform and restructuring of the group.

## Finance head for A&A

By Our Financial Staff

MR ROLF H. TOWE, senior vice president and chief financial officer of Alexander and Alexander Services (A&A), the international insurance brokerage and risk management concern, has been elected to the board. Mr Towe will also serve on A&A's executive committee and on its management executive committee.

Mr Towe, based in New York, joined A&A this year as chief financial officer. In addition to this he will take reports directly from A&A's legal and strategic planning departments.

He recently moved to Alexander and Alexander from Union Carbide Corporation, the US chemical concern troubled by the Bhopal, India, gas leak, at which he was Treasurer.

Mr John A. Clerico has succeeded Mr Towe as Treasurer of Union Carbide.

## Monsanto doubles top roles

BY DONALD MACLEAN

MONSANTO COMPANY, the St Louis-based concern with interests in chemicals, fibres, plastics and agriculture, has doubled two top management roles with the appointment of Mr Richard J. Mahoney, its chief executive, to replace Mr Louis Fernandez as chairman. Mr Mahoney, who is 52, will take over the chairmanship on the retirement of Mr Fernandez, 61, on April 1.

Monsanto announced on Friday that it suffered a 77.7 per cent drop in net income in 1985 to $83m, associated with the financing costs of its $2.8bn purchase last year of G. D. Searle, the US pharmaceuticals group, though net sales were steady, at some $6.7bn.

Other factors affecting the performance, Mr Mahoney said, were adverse conditions in the US agricultural economy, in the semi-conductor industry, and the relatively high value of the dollar in the foreign exchange market.

The company has also promoted Mr Francis J. Fitzgerald, corporate executive vice-president, and president of Monsanto Chemical Company to president and chief operating officer of the parent company, as well as to the board.

Mr Earle H. Harrison, Jr, chairman of G. D. Searle, has been elected vice-chairman of Monsanto, and to the board.

★

GENERAL REFRACTORIES Company has announced that its chairman and chief executive officer, Mr Raymond G. Perelman, has been named to the added post of president, succeeding Mr Robert W. Smith, who is retiring, reports Reuter from Bala Cynwyd, PA.

## New president for Marietta

MARTIN MARIETTA, the Maryland-based aerospace and construction equipment concern, has elected Mr Norman R. Augustine, aged 50, president and chief operating officer, with effect from April 1.

Mr Augustine succeeds Mr Laurence J. Adams who is retiring from these posts, though remaining a member of the board.

### UK APPOINTMENTS

## Trafalgar House shipping and hotels chief

Mr Alan Kennedy has been appointed a non-executive director of TRAFALGAR HOUSE. He will join the company as a full time executive director at the end of March and will be responsible for the group's shipping and hotel operations. Mr Kennedy is chief executive and deputy chairman of the Thomas Cook Group.

★

Mr Gordon Hodson, managing partner of Beachcrofts, has been appointed to the board of M. & W. MACK as a non-executive director.

★

BREWMAKER has appointed Mr J. E. F. Hooper as a director from February 1. Mr Hooper joined in 1984 as financial controller.

★

J. H. MINET & CO. has appointed Mr Michael Fitt as senior executive director. He will also join the executive committee.

★

W. S. TRY (HOLDINGS) has appointed Mr Peter R. Howell its managing director from February 1. He was formerly chairman and managing director of Trollope & Colls Holdings and a main board director of Trafalgar House for the past eight years.

★

Mr John B. Swain has been appointed sales director of TINSLEY WIRE (SHEFFIELD), one of the manufacturing units of the TWIL Group.

Sir Derek Palmar has been appointed to the board of UNITED NEWSPAPERS as a non-executive director. Sir Derek has been chairman of Bass since 1976, of Yorkshire Television since 1982 and Rush & Tompkins Group since 1974.

★

Mr Lawrence Johnstone has been appointed a partner of ROGERS CHAPMAN and will continue to deal primarily with investment, development and funding.

★

Mr Simon Bewlay has been appointed to the board of NORCROS as director—international operations.

★

Mr. I. G. Dobbie, regional director Europe for RECKITT COLMAN, will replace Sir Michael Colman as group director of finance on May 1. The Earl of Granard, a non-executive director since 1973, is not seeking re-election and will therefore retire from the board at the next annual meeting.

★

Mr Paul Conboy, formerly of Hambros Bank, has joined D. C. GARDNER AND CO as director, human resource development.

★

Mr John D. Tumfrey has joined ACKROYD AND ABBOTT Group as sales and marketing director.

★

Mr K. W. Boddington has been appointed to the main group board of MONO PUMPS. In this position he assumes responsibility for the group's MENCA (Middle East, North and Central Africa) division, as well as continuing as managing director of Mono Pumps (UK).

★

Mr Melford Dean has been appointed company secretary of REED EXECUTIVE. He continues as group solicitor.

★

Mr T. W. G. Ashdown has been appointed group deputy managing director of the LEEDS GROUP.

★

SARASIN INVESTMENT MANAGEMENT (SIM), the London subsidiary of the Swiss private bank A. Sarasin and Cie of Basle, has appointed three directors: Mr Andrew Hall, formerly investment director of Aitken Hume, Mr Erik London, who formerly ran an independent portfolio management service, and Mr Harvey Ziegler, formerly of Fraser Ansbacher. Two appointments have been made by Sarasin International Securities in London. Mr Gordon Bew and Mr Carl Stadt, who both joined Sarasin in April 1985, have been appointed associated directors responsible for Eurobond sales and Eurobond trading respectively.

★

Mr Grenville Hampshire has been appointed to the board of TAC CONSTRUCTION MATERIALS as production and development director responsible for the company's Widnes and Tamworth manufacturing facilities.

★

Mr Martin Lewis has been appointed deputy director (trade) Europe at the STATE OF NEW YORK DEPARTMENT OF COMMERCE, London office.

★

REED PLASTIC CONTAINERS has made Mr Mike Rowley its managing director. He also assumes responsibility for the development of Reed Plastic Containers (Corby). Mr Rowley was previously managing director of Reed Plastic Packaging.

★

THE BARDGROVE GROUP has appointed Mr Rod Lovell as managing director. He has been a member of the board since the company's formation.

★

At PLYSU, Mr Jon Hill has been made engineering director. He was engineering manager.

★

Mr Peter Rowcraft has been appointed director of sales and marketing of SIMON-SOLITEC. He was previously general sales manager.

★

RENAULT UK states that Mr Colin Bruder, sales director, is leaving the company and will be succeeded on January 27 by Mr Eddie Orr, general manager, western region.

★

The former south-western division of Clarke Construction has become a fully-fledged subsidiary company, CLARKE CONSTRUCTION (SOUTH WESTERN). Mr M. J. Egerton has become managing director of the new company. He joined the Clarke Group in 1983, becoming Clarke Construction's south-western regional director in 1985. Mr A. C. J. Coulter has been appointed surveying director and Mr J. W. Short estimating director.

★

ANZ MERCHANT BANK has appointed Mr Mark Cliffe as chief economist. He has been with Capel-Cure Myers for three years.

★

Mr S. C. Bromfield has been appointed a director of LLOYD THOMPSON.

★

Mr George F. Clancy, Jr, president and chief operating officer of Riggs National Corporation, has resigned from the board of A. P. BANK. Mr Timothy C. Coughlin, president and chief operating officer of The Riggs National Bank of Washington, DC and Mr Lawrence I. Hebert, a director of The Riggs National Bank of Washington DC have joined the board of A. P. Bank.

★

Mr Stuart McKay has joined SWINDON GUIDEX as managing director of Guidex Limited. Mr Michael Culverwell has been appointed group marketing director and retains the position of managing director of Advance Stationery. He has also been appointed director of Swindon Letter File and Swindon Finepak, both member companies of Swindon Guidex.

★

THE GRAIN AND FEED TRADE ASSOCIATION has appointed the following new officers: Mr A. E. Wright (a director of United Molasses Co) becomes president; Mr C. Richardson (regional general manager of Dalgety Agriculture) is made deputy president, and Mr M. F. George (chairman and joint managing director of Whitworths Agriculture and its parent, Whitworths Holdings) has been elected UK vice president.

★

SCOTTISH WIDOWS' FUND AND LIFE ASSURANCE SOCIETY has appointed the society's deputy general manager, Mr J. Elder, deputy managing director and secretary.

★

Mr Simon Flunder, commercial manager of the Colston Group subsidiary TALLENT ENGINEERING, has been appointed to the board of that company.

★

Mr Francis M. Infante has been appointed senior manager, treasury and money market of EURO-LATINAMERICAN BANK following the retirement of Mr Ivor R. Goddard.

## F.T. CROSSWORD PUZZLE No. 5,932

**ACROSS**

1 One hat returned to City man, hardworking (8)
5 War Office floor covering includes bit of British beast (6)
9 Comment on the girl round the *Gallery* (8)
10 Diary spread showing congestion of events? (3-3)
12 Ring to change place of production (5)
13 Formerly, to put in black and white one's finances (9)
14 Introduction of safety lock is a restraining influence (6)
16 Vegetable that's about constant? That's one view (7)
19 Roman General was a grasper, we hear (7)
21 Sad ram slain in India? (6)
23 The actor's warm—requirement for sandwich? (6, 3)
25 Cunning leg breaks embracing middle of ruin (5)
26 English girls excited about young fish? (6)
27 Get in touch about right *agreement* (8)
28 His cuts worried M.S.C. A breach? (6)
29 What vessel intended — (sound) consignment (8)

**DOWN**

1 Legendary fire brand? (6)
2 University *star* (9)
3 Full of determination, chap takes in extremes of thoroughness (5)
4 Worrying state—R.N. talks at length (7)
6 *United in 16?* (2, 3, 4)
7 Precious little thing in refuse turning up at Open University (5)
8 Mad train after accident—wood and pulp? (8)
11 Part of EEC housing return (4)
15 Signifies trains (9)
17 A time Nina could be lacking in spirit (9)
18 They're hearty (and accompanying Kings?) (8)
20 Leaders of all countries have extra suffering (4)
21 A little distance in light plane seems vast! (7)
22 Dwarf composition? (7)
24 Flower with source from hills making for certain sea (5)
25 The outfit's here. Don't stay in bed! (3-2)

*The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.*



# FT UNIT TRUST INFORMATION SERVICE

## AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

# AUTHORISED UNIT TRUSTS & INSURANCES

### Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE Dlg. 01-236 3885

| | | | | |
|---|---|---|---|---|
| International Growth | 122.1 | 130.6 | +0.3 | 1.00 |
| Income & Growth | 45.3 | 48.2 | -0.3 | 2.90 |
| Special Situations | 67.7 | 72.5 | -1.4 | 2.10 |
| American Growth | 29.7 | 31.6 | | 3.10 |
| Japan Growth | 36.5 | 38.8 | +0.7 | 0.00 |
| European Growth | 51.7 | 55.4 | -0.2 | 2.90 |
| UK Growth | 44.2 | 47.3 | +0.1 | 1.30 |
| Pacific Growth | 33.1 | 35.5 | -0.2 | 0.70 |
| High Income | 28.7 | 30.8 | | 8.10 |
| Practical Income Units | 44.1 | 46.9 | +0.1 | 2.70 |
| Practical Accum. Units | 79.3 | 84.4 | +0.2 | 2.70 |

### Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB 01-405 8441

| | | | | |
|---|---|---|---|---|
| Pearl Growth Fd. | 72.4 | 77.0 | +0.7 | 2.74 |
| Accum Units | 107.1 | 113.9 | +1.1 | 2.74 |
| Pearl Inc. | 97.9 | 104.2 | +1.1 | 4.77 |
| Pearl Unit Tst. | 103.2 | 109.8 | +0.9 | 3.80 |
| (Accum. Units) | 176.8 | 188.1 | +1.5 | 3.80 |
| Pearl Intl Equity | 104.2 | 110.8 | | 1.81 |
| (Accum Units) | 104.2 | 110.8 | | 1.81 |

### Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

| | | | | |
|---|---|---|---|---|
| International Growth | 222.1 | 238.4 | +3.4 | 1.38 |
| Income | 156.5 | 167.6 | +1.0 | 5.38 |
| Worldwide Recovery | 124.9 | 134.1 | +1.7 | 2.07 |
| American Growth | 61.2 | 65.7 | +0.7 | 1.06 |
| Intl. Emerging Cos. | 67.5 | 72.5 | +0.7 | 0.71 |
| Far East Growth Fd. | 54.6 | 58.6 | +0.8 | 1.13 |

### Prolific Unit Trusts
222 Bishopsgate, London EC2 01-247 7544/7

| | | | | |
|---|---|---|---|---|
| Prolific American Inc. | 50.2 | 53.4 | -0.1 | 5.13 |
| Prolific Far East | 118.1 | 127.0 | +0.9 | 1.28 |
| Prolific Extra Inc. | 68.5 | 72.6 | +0.4 | 5.55 |
| Prolific C'vert & Gilt | 82.0 | 87.0 | | 7.24 |
| Prolific High Inc. | 144.7 | 153.4 | +0.3 | 4.79 |
| Prolific Intl | 90.3 | 97.1 | -0.1 | 1.65 |
| Prolific N. Amer. | 122.9 | 132.2 | -0.8 | 2.44 |
| Prolific Spec. Sits | 155.6 | 166.0 | +0.3 | 1.38 |
| Prolific Technology | 105.7 | 113.7 | | 0.52 |

### Providence Capital Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

| | | | | |
|---|---|---|---|---|
| Japan Inc. | 56.5 | 59.8 | +0.9 | 0.00 |
| Japan Acc. | 56.6 | 59.9 | +0.9 | 0.00 |
| Worldwide Inc. | 58.2 | 61.6 | -0.2 | 1.59 |
| Worldwide Acc. | 58.7 | 62.2 | -0.2 | 1.59 |
| European Tst Inc. | 72.1 | 76.3 | -0.7 | 0.67 |
| European Tst Acc. | 72.3 | 76.6 | -0.7 | 0.67 |
| North American Inc. | 51.6 | 54.7 | -0.1 | 1.76 |
| North American Acc. | 51.6 | 54.7 | -0.1 | 1.76 |
| UK Equity Inc. | 54.9 | 58.2 | +0.3 | 2.78 |
| UK Equity Acc. | 56.3 | 59.6 | +0.3 | 2.78 |

### Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

| | | | | |
|---|---|---|---|---|
| PM Equity Growth | 46.8 | 50.1 | | 2.47 |
| PM Income and Growth | 46.4 | 49.7 | +0.2 | 5.54 |

### Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377

| | | | | |
|---|---|---|---|---|
| Holborn Comm Trust | 48.1 | 51.1 | +0.1 | 1.22 |
| Holborn Equity Tst | 340.7 | 362.4 | +3.4 | 3.62 |
| Holborn European Trust | 67.1 | 71.3 | -0.7 | 0.59 |
| Holborn Gilt Tst. | 156.7 | 164.0 | +1.4 | 6.76 |
| Holborn High Inc | 56.3 | 59.8 | +0.8 | 6.73 |
| Holborn Intl Growth | 77.9 | 82.8 | +0.1 | 0.84 |
| Holborn Japanese Trust | 61.6 | 65.5 | +1.4 | 0.05 |
| Holborn N. Amer. Trust | 57.8 | 61.4 | -0.2 | 1.69 |
| Holborn Spec. Sits | 50.9 | 54.1 | +0.6 | 3.17 |
| Holborn UK Growth | 68.2 | 72.5 | +0.9 | 3.38 |

### Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

| | | | | |
|---|---|---|---|---|
| Quadrant Gen. Fd. | 352.8 | 375.4 | -0.9 | 3.50 |
| Quadrant Income | 193.5 | 205.9 | -0.5 | 5.16 |
| Quadrant Intl. Fund | 334.9 | 352.6 | | 1.34 |
| Quadrant Spec. Sits | 216.4 | 230.3 | +0.5 | 3.23 |

### Reed Stenhouse Inv Services Ltd
145 Borough High St, London SE1 1NV 01-628 6011

| | | | | |
|---|---|---|---|---|
| Wellington Inc. | 55.6 | 59.2 | | 6.70 |
| Wellington Growth | 119.5 | 127.1 | | 2.60 |

### Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 22271

### Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

| | | | | |
|---|---|---|---|---|
| American Fund | 195.0 | 207.7 | -1.0 | 2.30 |
| (Accum. Units) | 219.0 | 233.2 | -1.2 | 2.30 |
| (Withdrawal Units) | 141.2 | 150.4 | -0.7 | 2.30 |
| Australian Fund | 119.0 | 126.7 | -0.6 | 0.91 |
| (Accum. Units) | 120.3 | 128.1 | -0.6 | 0.91 |
| British Fund | 479.9 | 511.1 | +3.0 | 4.39 |
| (Accum. Units) | 638.7 | 680.3 | +4.0 | 4.39 |
| European Fund | 228.0 | 242.8 | -3.6 | 1.01 |
| (Accum. Units) | 240.1 | 255.7 | -3.8 | 1.01 |
| Japan Fund | 226.8 | 241.6 | +6.4 | 0.36 |
| (Accum. Units) | 227.5 | 242.3 | +6.4 | 0.36 |
| Sands PPP | 143.6 | 151.2 | ... | — |

### Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

| | | | | |
|---|---|---|---|---|
| Equity Tst. | 328.6 | 349.5 | +2.1 | 3.28 |
| North America | 52.1 | 55.4 | +0.1 | 1.92 |
| Far East | 56.4 | 60.0 | +0.6 | 0.83 |

### Sun Life Trust Mgmt. Ltd
107 Cheapside, London EC2V 6DU 01-606 6010

| | | | | |
|---|---|---|---|---|
| American Growth Acc. | 25.7 | 27.3 | -0.1 | 1.8 |
| American Income Acc. | 25.9 | 27.6 | -0.1 | 4.5 |
| American Income Inc. | 25.7 | 27.3 | -0.1 | 4.6 |
| European Growth Acc. | 41.3 | 43.9 | -0.6 | 2.0 |
| Far East Growth Acc. | 29.7 | 31.6 | +0.2 | 0.8 |
| Intl. Growth Acc. | 28.0 | 29.8 | -0.2 | 0.8 |
| Japan Growth Acc. | 36.5 | 38.8 | +0.9 | 0.3 |
| UK Growth Acc. | 29.4 | 31.3 | +0.1 | 2.4 |
| UK Income Acc. | 26.9 | 28.6 | +0.1 | 4.4 |
| UK Income Inc. | 26.2 | 27.9 | +0.1 | 4.5 |
| Managed Growth Acc. | 31.2 | 33.2 | -0.5 | 2.3 |
| Managed High Yield Inc. | 32.9 | 35.0 | .. | 6.7 |
| Managed Income Inc. | 27.9 | 29.7 | .. | 4.2 |

### Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks 0732 450161

| | | | | |
|---|---|---|---|---|
| Equity Dist.* | 239.5 | 253.4 | ... | 3.78 |
| Equity Acc.* | 288.3 | 305.0 | ... | 3.78 |
| Fixed Int. Dist.† | 115.1 | 119.3 | ... | 11.35 |
| Fixed Int. Acc.† | 168.9 | 175.0 | ... | 11.35 |

*Prices on Jan 8. Next dealing Feb 12
†Prices on Jan 2. Next dealing Feb 5

### TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover, Hants SP10 1PG
0264 62188 Dealings to 0264 63432-3

| | | | | |
|---|---|---|---|---|
| TSB American | 101.3 | 107.8 | +0.2 | 1.23 |
| Do. Accum | 105.4 | 112.2 | +0.1 | 1.23 |
| TSB Extra Income | 91.7 | 97.6 | +0.9 | 5.95 |
| Do. Accum | 105.6 | 112.4 | +1.4 | 5.95 |
| TSB General | 133.3 | 141.9 | +0.9 | 3.10 |
| Do. Accum | 216.8 | 230.7 | +1.3 | 3.10 |
| TSB Gilt & Fxd Int | 44.7 | 46.6 | +0.2 | 9.51 |
| Do. Accum | 57.2 | 59.6 | +0.1 | 9.51 |
| TSB Income | 177.8 | 189.2 | +1.6 | 4.90 |
| Do. Accum. | 272.8 | 290.3 | +2.4 | 4.90 |
| TSB Pacific | 115.9 | 123.4 | +1.3 | 0.73 |
| Do. Accum | 118.9 | 126.5 | +1.3 | 0.73 |
| TSB International | 255.5 | 271.9 | +0.1 | 1.84 |
| Do. Accum | 313.6 | 333.7 | | 1.84 |
| TSB Natural Resources | 45.1 | 48.0 | -0.3 | 2.23 |
| Do. Accum | 46.0 | 49.0 | -2.0 | 2.23 |
| TSB Scot. Opps. | 49.4 | 52.6 | -0.1 | 2.06 |
| Do. Accum | 53.7 | 57.2 | -0.1 | 2.06 |

### 3i Unit Trust Managers Ltd
2 St Mary Axe, London EC3A 8BP 01-928 3356

| | | | | |
|---|---|---|---|---|
| Small Co's Fund | 66.6 | 70.8 | -1.1 | 0.1 |

### Target Trust Mngrs. Ltd (a)(g)
Target Hse, Gatehouse Rd, Aylesbury Bks (0296) 5941

| | | | | |
|---|---|---|---|---|
| American Eagle | 70.5 | 75.0 | - | 0.46 |
| Australia | 25.6 | 27.4 | - | 0.10 |
| Commodity | 76.5 | 82.2 | -0.3 | 2.14 |
| Energy | 36.6 | 39.0 | -0.3 | 1.39 |
| Equity | 104.0 | 111.6 | +0.3 | 3.28 |
| European Spec. Sits. | 78.7 | 83.7 | -0.3 | 0.29 |
| Extra Income | 99.3 | 106.2 | +0.3 | 6.38 |
| Financial | 219.5 | 234.7 | -0.2 | 2.15 |
| Gilt Income | 95.2 | 99.7 | +0.4 | 8.96 |
| Gold Income | 61.1 | 65.3 | - | 1.90 |
| Gold Acc. | 110.9 | 118.7 | | 1.90 |
| Income | 66.8 | 71.3 | +0.2 | 5.40 |
| Japan | 57.5 | 61.4 | +1.8 | 0.10 |
| Malaysia & Singapore | 18.7 | 19.9 | +0.3 | 1.41 |
| Pacific Income | 67.7 | 72.1 | +0.7 | 0.09 |
| Pacific Re Inv. | 83.0 | 88.4 | +0.9 | 0.04 |
| Preference Share | 16.0 | 17.1 | | 10.36 |
| Special Sits | 75.0 | 79.8 | -0.3 | 1.01 |
| Technology | 42.8 | 45.7 | | 0.10 |

### Manufacturers Life Insurance Co (UK)
St George's Way, Stevenage 0438 356101

### Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

### Property Growth Assur Co Ltd—Contd

### Providence Capital Life Assc. Co Ltd
30 Uxbridge Rd, London W12 8PG 01-749 9111

# INSURANCES

# INSURANCE, OVERSEAS & MONEY FUNDS

## OFFSHORE AND OVERSEAS

**Warburg Investment Management Jersey Ltd**
39-41 Broad St, St Helier, Jersey, CI 0534 74715

| | | | | |
|---|---|---|---|---|
| Merc. Com Mkt Jan 21 | £45.67 | 46.82 | . | 1.24 |
| Merc. Transatlntc Jan 21 | £28.68 | 29.40 | | 2.07 |
| Merc. Set. Mkt Jan 23 | £30.01 | 30.78 | +0.85 | 0.84 |
| Metals Trust Jan 16 | £12.01 | 12.31 | | — |
| Energy Int. NAV Jan 23 | £52.50 | — | −0.17 | — |
| Merc. Eurobond Jan 22 | £18.76 | 18.90 | −0.04 | 8.45 |
| **Mercury Far Eastern Trust Ltd** | | | | |
| Japan Fund Jan 21 | £27.40 | 28.78 | ... | 1.22 |
| Pacific Fund Jan 21 | £26.18 | 27.50 | ... | 1.42 |
| **Mercury Money Market Trust Ltd** | | | | |
| £ Managed | 9.60 | 10.12 | . | — |
| US$ Managed | 20.16 | 21.24 | . | — |
| £ Sterling | | 27.57 | | — |
| US$ | | 36.92 | | — |
| D Mark | | 85.28 | . | — |
| Yen | | 851.1 | | — |
| Dutch Guilder | | 113.23 | . | — |
| Swiss Franc | | 80.57 | | — |
| **Mercury Selected Trust** | | | | |
| Global Fund | £23.79 | 25.46 | −0.13 | — |
| European Fund | £9.73 | 10.98 | −0.19 | — |
| Japan Fund | £9.76 | 10.38 | +0.15 | — |
| North American Fund | £9.80 | 10.41 | +0.02 | — |
| United Kingdom Fund | £9.77 | 10.35 | +0.03 | — |

**Warburg Inv Mngmt (Isle of Man) Ltd**
1 Thomas Street, Douglas, Isle of Man. 0624 74856

| | | | | |
|---|---|---|---|---|
| Merc Intl Fund | 66.5 | 70.8 | +0.3 | 6.7 |
| Merc Intl Bond | 44.1 | 47.0 | +0.2 | 7.9 |

**Wardley Fund Managers (Jersey) Ltd.**
HK Bk. Bldg., Grenville St, St Helier 0534 71460

| | | | | |
|---|---|---|---|---|
| Wardley Gilt Fund | 95.0 | 99.0 | ... | 10.61 |

**Wardley Investment Services Ltd.,**
4th Floor, Hutchison House, Hong Kong

| | | | | |
|---|---|---|---|---|
| Wardley Trust | $7.07 | 7.58 | .. | 1.12 |
| Wardley Nikko As. Fd. | $31.39 | 35.41 | .. | 2.32 |
| Wardley Bond Trust | $12.24 | 13.00 | .. | 5.77 |
| Wardley Japan Trust | $41.19 | 43.60 | .. | 0.05 |
| Wardley Pcfc Cap Tst | $13.16 | 13.85 | . | 2.74 |

**WestAvon Secs. (Guernsey) Ltd**
Borough Hse, St Peter Port, Guernsey. 0481 27963

| | | | | |
|---|---|---|---|---|
| Gilt & Option Fd | £1.16 | 1.22 | . | 5.00 |
| US $ Option | $1.04 | 1.09 | | — |
| High Income | 85.0 | 90.0 | . | 14.80 |
| International Growth | 46.7 | 49.5 | . | 2.5 |
| Japan Fund | 44.2 | 47.0 | ... | 0.50 |

**World Bond Fund**
Managers: PO Box 190, St Helier, Jersey 0534 74715

| | | | | |
|---|---|---|---|---|
| World Bond Fund NAV | $11.3198 | 11.8857 | +0.2111 | — |

Inv Ad Warburg Inv Mngmnt, London

**World Fund S.A.**
2 Boulevard Royal, Luxembourg

| | | | |
|---|---|---|---|
| World Fund NAV | $14.07 | −0.03 | — |

**World Wide Growth Management◆**
10a, Boulevard Royal, Luxembourg

| | | | |
|---|---|---|---|
| Worldwide Gth Fd | $14.56 | −0.02 | — |

Inv Adv M. & G. Inv Mngt., Ltd., London

**Yamaichi Dynamic Mngt Co SA**
10A Boulevard Royal, Luxembourg

| | | | |
|---|---|---|---|
| Advanced Tech | $11.92 | +0.07 | — |
| Dynamic Gwth Fd | $11.19 | +0.05 | — |

**Zero Bond Fund Limited**
PO Box 208, St Peter Port, Guernsey 0481 26268

| | | | | |
|---|---|---|---|---|
| Zero Bond Fund | $10.48 | 11.10 | . | — |

## Money Market Trust Funds

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **The Charities Deposit Fund** | | | | |
| 77 London Wall, London EC2N 1DB 01-588 1815 | | | | |
| Deposit | 11.50 | | . | 3-Mth |
| **The Money Market Trust** | | | | |
| 63 Qn Victoria St, EC4N 4ST. 01-236 0952 | | | | |
| Call Fnd | 11.41 | 8.53 | 12.48 | 6-mth |
| 7-day Fnd | 11.50 | 8.59 | 12.57 | 6-mth |
| **Oppenheimer Money Management Ltd** | | | | |
| 66 Cannon St, EC4N 6AE. 01-236 1425 | | | | |
| Call Fnd | 11.11 | 8.30 | 12.10 | 6-Mth |
| 7-day Fund | 11.69 | 8.71 | 12.71 | 6-Mth |
| Dollar | 6.75 | — | — | 6-Mth |

## Money Market Bank Accounts

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **Adam & Co. plc** | | | | |
| 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8484 | | | | |
| Full Service Cur Acc. | 11.50 | 8.50 | 12.53 | Qtr |
| **Aitken Hume** | | | | |
| 30 City Road, EC1Y 2AY. 01-638 6070 | | | | |
| Treasury Acc | 11.75 | 8.78 | 12.97 | Qtr |
| Mth. Int. Chq. | 11.75 | 8.78 | 13.06 | Mth |
| **Allied Arab Bank Ltd** | | | | |
| 97-101 Cannon St, London, EC4N 5AD 01-283 9111 | | | | |
| HIBCA | 13.00 | 9.72 | 14.52 | mth |
| **Bank of Scotland** | | | | |
| 38 Threadneedle St, EC2P 2EH. 01-628 8060 | | | | |
| Money Mkt Cheque Acc. | 12.15 | 9.08 | 13.53 | Mth |
| **Barclays Prime Account** | | | | |
| PO Box 125, Northampton 0604 252891 | | | | |
| High Int. Cheque | 12.25 | 9.125 | 13.49 | Qtr |
| **Britannia Investment Services Ltd.** | | | | |
| 74-78 Finsbury Pavement, EC2A 1JD. 01-588 2777 | | | | |
| Cater Allen | 11.75 | 8.78 | 13.06 | Mth |
| **Charterhouse Japhet plc** | | | | |
| 1 Paternoster Row, EC4M 7DH. 01-248 3999 | | | | |
| Sterling | 12.00 | 8.96 | 13.35 | Mth |
| U.S. Dollar | 7.25 | 7.25 | 7.50 | Mth |
| German Marks | 4.25 | 4.25 | 4.33 | Mth |
| Swiss franc | 1.50 | 1.50 | 1.51 | Mth |
| Japanese Yen | 5.00 | 5.00 | 5.12 | Mth |
| **Citibank Savings** | | | | |
| St Martins Hse, Hammersmith Grove 01-741 4941 | | | | |
| Money Market Plus | | 9.34 | 13.93 | Mth |
| **Co-operative Bank Cheque & Save** | | | | |
| 78-80 Cornhill EC3 01-626 6543. | | | | |
| £500-£2,500 | 9.50 | 7.10 | 10.41 | Qtr |
| £2,500 + | 12.06 | 9.02 | 13.33 | Qtr |
| **Dartington & Co Ltd** | | | | |
| Dartington, Totnes, Devon TQ9 6JE. 0803 862271 | | | | |
| Money Mkt Acc. | 12.50 | 9.34 | 13.83 | Qtr |
| **Edward Manson & Co Ltd** | | | | |
| 9 Henrietta Place W1M 9AG 01-631 3313 | | | | |
| Cheque Deposit Acc. | 12.50 | 9.34 | 13.93 | Mth |
| **Henderson/Bank of Scotland** | | | | |
| 38 Threadneedle St EC2P 2EH 01-628 8060 | | | | |
| Money Mkt. Cheque Acc. | 12.15 | 9.08 | 13.53 | Mth |
| **Legal & General (Money Mngrs) Ltd** | | | | |
| 355 Euston Road, NW1 3AG 01-388 3211 | | | | |
| High Int Dep Acc. | 12.04 | 9.00 | 13.14 | 6-mth |
| **Lloyds Bank PLC** | | | | |
| 71 Lombard St, London, EC3P 3BS. 01-626 1500 | | | | |
| HighIntCheque Account | 11.75 | 9.00 | 13.30 | Qtr |
| **Lombard North Central PLC** | | | | |
| 17 Bruton St, W1A 3DH. 01-409 3434 | | | | |
| 14-Day Notice | 12.500 | 9.344 | 13.349 | — |
| **M & G/Kleinwort Benson** | | | | |
| 91-99 New London Rd, Chelmsford. 0245 51651 | | | | |
| H.I.C.A. | 12.00 | 8.97 | 13.37 | Daily |
| **Midland Bank plc** | | | | |
| PO Box 2, Sheffield. 0742 20999 Ext 8665 | | | | |
| High Int Chq Acc. | 11.71 | 8.75 | 12.93 | Qtr |
| £10,000 + | 12.04 | 9.00 | 13.30 | Qtr |
| **Oppenheimer Money Mngmnt Ltd** | | | | |
| 66, Cannon St, EC4N 6AE. 01-236 1425 | | | | |
| Money Mngt. Acct. | 11.00 | 8.22 | — | 3-Mth |
| **Phillips & Drew Trust Ltd** | | | | |
| 120 Moorgate, London EC2M 6XP 01-628 9771 | | | | |
| High Int Chq Acc | 11.50 | 8.60 | 12.68 | Qtr |
| **Provincial Trust** | | | | |
| 30 Ashley Rd, Altrincham, Cheshire 061-928 9011 | | | | |
| High Int Chq Acc | 12.50 | 9.34 | 13.93 | Mth |
| **Royal Bank of Scotland plc** | | | | |
| 24 Lombard St, London EC3V 9BA 031-557 0201 | | | | |
| Premium Account | 12.15 | 9.08 | 13.42 | Qtr |
| **Save & Prosper/Robert Fleming** | | | | |
| 28 Western Rd, Romford RM1 3LB. 0708 66966 | | | | |
| H.I.B.A. | 11.50 | 8.60 | 12.82 | Daily |
| **Tyndall & Co** | | | | |
| 29-33 Princess Victoria St, Bristol. 0272 732241 | | | | |
| Demand Acc. | 12.63 | 9.44 | 13.97 | Qtr |
| Money Acc. | 12.04 | 9.00 | 13.29 | Qtr |
| **J. Henry Schroder Wagg & Co Ltd** | | | | |
| Enterprise House, Portsmouth 0705 827733 | | | | |
| Special Acc. | 11.25 | 8.41 | 12.49 | Mth |
| Over £10,000 | 11.50 | 8.60 | 12.79 | Mth |
| **Western Trust & Savings Limited** | | | | |
| The Moneycentre, Plymouth PL1 1SE 0752 24141 | | | | |
| High Int Chq Acc | 12.69 | 9.48 | 14.03 | Qtr |

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

### NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium assurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‖ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. xd ex dividend.

## OPTIONS

### 3-month call rates

| Industrials | p | | p |
|---|---|---|---|
| Allied-Lyons | 28 | Marks & Spencer | 13 |
| BAT | 26 | Metal Closures | 14 |
| BOC Grp. | 27 | Midland Bk. | 35 |
| BSR | 8 | NEI | 10 |
| BTR | 33 | Nat West Bk | 55 |
| Babcock | 13 | P & O Dfd. | 35 |
| Barclays | 33 | Plessey | 14 |
| Beecham | 30 | Polly Peck | 22 |
| Blue Circle | 50 | Racal Elect. | 15 |
| Boots | 18 | RHM | 12 |
| Bowaters | 30 | Rank Org Ord | 35 |
| Brit Aerospace | 32 | Reed Intnl | 60 |
| Brit. Telecom | 17 | Sears | 11 |
| Brown (J.) | 3½ | TI | 35 |
| Burton Ord | 45 | Tesco | 24 |
| Cadburys | 13 | Thorn EMI | 34 |
| Charter Cons. | 18 | Trust Houses | 12 |
| Comm Union | 23 | Turner Newall | 9½ |
| Courtaulds | 13 | Unilever | 90 |
| Distillers | 36 | Vickers | 35 |
| FNFC | 12 | **Property** | |
| Gen Accident | 55 | Brit Land | 14 |
| Gen Electric | 14 | Land Secs. | 26 |
| Glaxo | 100 | MEPC | 26 |
| Grand Met. | 30 | Peachey | 24 |
| GUS 'A' | 70 | Samuel Props | 15 |
| Guardian | 60 | **Oils** | |
| GKN | 20 | Brit. Oil & Min | 9½ |
| Hanson Tst. | 18 | Brit Petroleum | 45 |
| Hawker Sidd | 36 | Burmah Oil | 27 |
| ICI | 42 | Charterhall | 4 |
| 'Imps' | 16 | Premier | 5 |
| Jaguar | 27 | Shell | 55 |
| Ladbroke | 27 | Tricentrol | 18 |
| Legal & Gen | 60 | Ultramar | 18 |
| Lex Service | 24 | **Mines** | |
| Lloyds Bank | 35 | Cons Gold | 40 |
| Lucas Inds | 30 | Lonrho | 12 |
| | | Rio T Zinc | 50 |

A selection of Options traded is given on the London Stock Exchange Report Page.

# LONDON SHARE SERVICE

## BRITISH FUNDS

### "Shorts" (Lives up to Five Years)

| Interest Due | | Stock | Price £ | Last xd | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 25 Aug | 25 Feb | Exch. 11¼pc '86 | 99¾xd | 20.1 | 11.76 | 12.76 |
| 11Oct | 11Apr | Treas. 10pcCnv 1986 | 99 | 24.9 | 10.06 | 12.72 |
| 19 Nov | 19 May | Treas 3pc 1986 | 97⅝ | 14.10 | 3.07 | 10.97 |
| 19 Nov | 19 May | Exch. 10½pc 1986 | 99 | 14.10 | 10.59 | 13.13 |
| 12Dec | 12Jun | Treas 12pc 1986 | 99 | 5.11 | 12.05 | 13.08 |
| 10 Jan | 10 Jul | Treas 8¾pc 1984-86‡‡ | 98 | 4.12 | 8.66 | 12.79 |
| 29 Apr | 29 Oct | Exch. 14pc 1986 | 106 | 23.9 | 13.91 | 12.95 |
| 21 May | 21 Nov | Exch. 2½pc 1986 | 94⅞ | 15.10 | 2.64 | 8.45 |
| 22Jul | 22Jan | Exch. 13¾pc 1987 | 100½xd | 16.12 | 13.18 | 12.68 |
| 10 Aug | 10 Feb | Treas 10½pcCv '87 | 97 | xd6.1 | 10.49 | 12.73 |
| 24Aug | 24Feb | Exch 2½pc 1987 | 92⅞xd | 20.1 | 2.69 | 9.65 |
| 6Oct | 6Apr | Exch. 10½pc 1987 | 97⅝ | 2.9 | 10.76 | 12.65 |
| 1 Nov | 1 May | Funding 6½pc '85-87‡‡ | 93 | 25.9 | 6.93 | 11.97 |
| 12Dec | 12Jne | Treas. 10pc 1987 | 96 | 5.11 | 10.32 | 12.46 |
| 14Jan | 14Jly | Treas 3pc 1987 | 90 | 9.12 | 3.29 | 9.51 |
| 3May | 3Nov | Treas. 12pc 1987 | 99 | 27.9 | 12.06 | 12.27 |
| 26 Jul | 26 Jan | Treas 7¾pc 1985-88‡‡ | 93xd | 20.12 | 8.33 | 11.78 |
| 10Nov | 10May | Exch 10½pc '88 | 97 | 4.10 | 10.82 | 12.03 |
| 14Dec | 14Jne | Treas 9½pc Cv '88 | 95 | 7.11 | 10.23 | 12.05 |
| 1Jan | 1Jul | Transport 3pc '78-88 | 86⅝ | 25.11 | 3.46 | 9.28 |
| 25 Apr | 25 Oct | Treas. 9¾pc '88 | 96 | 18.9 | 10.09 | 12.05 |
| 22 Aug | 22 Feb | Treas 11½pc 1989 | 98⅞xd | 16.1 | 11.63 | 11.97 |
| 18 Oct | 18 Apr | Treas 9½pc Cnv. '89 | 93 | 11.9 | 10.17 | 12.02 |
| 15Nov | 15May | Treas 3pc 1989 | 82 | 9.10 | 3.63 | 9.26 |
| 14Dec | 14Jun | Treas 10½pc 1989 | 96 | 7.11 | 10.92 | 11.91 |
| 1Feb | 1Aug | Exch.10pc 1989 | 94xd | 27.12 | 10.59 | 12.00 |
| 29 Mar | 29 Sep | Exch 11pc 1989 | 97 | 23.8 | 11.30 | 11.90 |
| 15 Apr | 15 Oct | Treas 5pc 1986-89 | 84 | 9.9 | 5.91 | 10.07 |
| 15 May | — | Exch 10¼pcCv '89 | 95 | | 10.75 | 11.79 |
| 15 Jul | 15 Jan | Treas 13pc 1990‡‡ | 103 | 9.12 | 12.54 | 11.80 |
| 12 Aug | 12 Feb | Exch 11pc 1990‡‡ | 97 | xd6.1 | 11.29 | 11.83 |
| 22 Sep | 22 Mar | Exch. 12½pc 1990 | 102 | 16.8 | 12.23 | 11.81 |
| 8 Nov | 8 May | Treas. 3pc 1990 | 79⅝ | 2.10 | 3.77 | 8.82 |
| 15 Dec | 15 Jun | Treas 8¼pc 1987-90‡‡ | 89 | 8.11 | 9.24 | 11.41 |
| 25 Apr | 25 Oct | Treas. 10pcCv 1990 | 93 | 18.9 | 10.72 | 11.86 |
| 22 May | 22 Nov | Exch 2½pc 1990 | 76⅞ | — | 3.25 | 8.43 |
| 10Ja | 10Jul | Treas 11¾pc 1991 | 99 | 4.12 | 11.77 | 11.77 |

### Five to Fifteen Years

| Interest Due | | Stock | Price £ | Last xd | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 5Oct | 5Apr | Funding 5¾pc '87-91‡‡ | 85¾ | 2.9 | 6.88 | 9.86 |
| 25Apr | 25Oct | Exch. 11pc 1991 | 99 | 18.9 | 11.38 | 11.80 |
| 22Jly | 22Jan | Treas 12¾pc 1992‡‡ | 104xd | 16.12 | 12.24 | 11.75 |
| [illegible] | | | | | | |

### Undated

[illegible]

### Index-Linked

[illegible]

### INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

### CORPORATION LOANS

[illegible]

### COMMONWEALTH & AFRICAN LOANS

[illegible]

### LOANS

#### Building Societies

[illegible]

#### Public Board and Ind.

[illegible]

#### Financial

[illegible]

### FOREIGN BONDS & RAILS

[illegible]

## AMERICANS

[illegible]

## AMERICANS—Cont.

[illegible]

## CANADIANS

[illegible]

## BANKS, HP & LEASING

[illegible]

## Hire Purchase, Leasing, etc.

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BUILDING, TIMBER, ROADS

[illegible]

## BUILDING, TIMBER, ROADS—Cont.

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## DRAPERY & STORES—Cont.

[illegible]

## ELECTRICALS

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING—Continued

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS—Continued

[illegible]

## INDUSTRIALS—Continued

[illegible]

## INSURANCES

[illegible]

## LEISURE

[illegible]

## LEISURE—Continued

[illegible]

## MOTORS, AIRCRAFT TRADES

### Motors and Cycles

[illegible]

### Commercial Vehicles

[illegible]

### Components

[illegible]

### Garages and Distributors

[illegible]

## NEWSPAPERS, PUBLISHERS

[illegible]

## PAPER, PRINTING, ADVERTISING

[illegible]

## PROPERTY

[illegible]

## PROPERTY—Continued

[illegible]

## SHIPPING

[illegible]

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TOBACCOS

[illegible]

## TRUSTS, FINANCE, LAND

### Investment Trusts

[illegible]

## INVESTMENT TRUSTS—Cont.

[illegible]

### Finance, Land, etc

[illegible]

## FINANCE, LAND—Cont.

[illegible]

## OIL AND GAS

[illegible]

## OVERSEAS TRADERS

[illegible]

## PLANTATIONS

### Rubbers, Palm Oil

[illegible]

### Teas

[illegible]

## MINES

### Central Rand

[illegible]

### Eastern Rand

[illegible]

### Far West Rand

[illegible]

## MINES—Continued

### O.F.S.

[illegible]

### Diamond and Platinum

[illegible]

### Central African

[illegible]

### Finance

[illegible]

### Australians

[illegible]

### Tins

[illegible]

### Miscellaneous

| Div. Paid | | Stock | Price | Last xd | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| — | | Anglo-Dominion | 30 | — | — | — | — |
| — | | Anglo Utd Dev. | 39 | — | bd1.05 | 2.1 | 3.8 |
| — | | ♦Colby Res Corp. | 60 | — | — | — | — |
| Aug. | Feb. | Cons. Murch. 10c | 300xd | 13.1 | t a08½c | 3.9 | ‡ |
| — | | ♦Ennex Int. Ir10p | 30 | — | — | — | — |
| — | | Greenwich Res | 75 | — | — | — | — |
| Apr | Oct | Hampton Areas 10p | 130 | 23.12 | 3.75 | 0.9 | 3.9 |
| — | | ♦Highwood Res. | 175 | — | — | — | — |
| May | Aug | Homestake Mining $1 | £18¼ | 30.10 | 020c | — | 0.7 |
| — | | ♦McFinley Red Lake | 215 | — | — | — | — |
| — | | ♦Musto Explorations | 245 | — | — | — | — |
| — | | ♦New Sabina Res C$1 | 42 | — | — | — | — |
| — | | Northgate C$1 | 250 | 9.77 | — | — | — |
| Jan. | July | RTZ | 564 | 28.10 | †20.0 | 2.8 | 5.1 |
| Jan | July | Do. 9½pcLn '95-2000 | £126 | 28.10 | Q9½% | 14.0 | †7.6 |
| — | | ♦Tara Exptn $1 | 862 | — | — | — | — |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- ∗ Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed, dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▮ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

| | | |
|---|---|---|
| Albany Inv 20p | 100 | .... |
| Craig & Rose £1 | 850 | ...... |
| Finlay Pkg. 5p | 45 | .... |
| Holt (Jos) 25p | 720 | ...... |
| IoM Stm. £1 | 55 | ..... |
| **IRISH** | | |
| Fund 11¾% 1988 | £97½ | ...... |
| Nat. 9¾% 84/89 | £92¾xd | ...... |
| Fin. 13% 97/02 | £103¾ | . |
| Arnotts | 290 | ... |
| CPI Hldgs | 56 | ..... |
| Carrol Inds. | 145xd | −2 |
| Dublin Gas | 55 | ... |
| Hall (R. & H.) | 55 | .... |
| Heiton Hldgs. | 25 | +1 |
| Irish Ropes | 47 | .. |
| Unidare | 130 | |

"Recent Issues" and "Rights" Page 16
(International Edition Page 20)

## TECHNOLOGY

# Warning of UK telecoms isolation

**BRITAIN'S decision to allow competition in basic telecommunications services is unlikely to be followed by other European countries and may jeopardise efforts by the EEC Commission to co-ordinate national policies, according to a report by Logica, a leading UK computer services company.**

It says the licensing of two rival UK telecommunications networks, operated by British Telecom and Mercury, runs directly counter to trends in the rest of Europe towards integration based on common standards and the development of advanced digital services.

"There is a danger that the UK may become isolated by its approach, particularly if, as seems quite likely, regulators decide to permit free circuit resale and further public telecommunications operators before the end of the decade," the report says.

While Britain had seized enthusiastically on US telecommunications deregulation as a model, other European countries had viewed the dislocations caused by the break-up of American Telephone and Telegraph as a lesson in what to avoid.

The report argues that while the US and Britain see telecommunications as demand-led, most continental countries still see it as supply-led and are basing their future strategies on the monopoly provision of advanced services.

Chief among these are Integrated Service Digital Networks, which combine voice and data on the same networks, and which Logica sees as the main driving force for greater European integration in the near-term.

The 460-page report includes detailed summaries of national telecommunications policies and the services available in 17 European countries.

*European Communications Services Towards Integration. £345. Logica, 64 Newman St, London W1A 4SE. Tel: 01-637 9111.*

**David Fishlock** looks at collaboration on advanced computers in the U.S. and Britain

# The West picks up Japanese challenge

BRITAIN and the US have responded differently to the challenge posed by the Japanese with their long-range research programme in quest of the fifth-generation computer.

Each response is novel for the nation concerned. But they share a common objective and a common desire to transfer the discoveries from laboratory to factory as swiftly and efficiently as possible.

The Japanese challenge presumes that a new generation of computers will emerge in the 1990s, to succeed those based successivlye on vacuum tubes (valves), transistors, integrated circuits (chips), and very large scale integration (VLSI) of microelectronic components.

It builds on earlier and evidently successful collaborations in "pre-competitive research"—research and development preceding any specification of a new product—between leading Japanese electronics companies, fostered by government, leading to new chips and VLSI.

> MCC firmly denies it is developing a supercomputer. It cannot, under US anti-trust law

Icot, the Institute for New Generation Computing Technology, was announced in 1981. Its laboratories in Tokyo have a block diagram of a conceptual fifth generation computers, at which its £330m programme is aimed, pinned up for inspiration. Icot does software research in-house and contracts out the hardware research.

Boh Western responses came in 1983. First, in January, was the US response, a company called Microelectronics and Computer Technology Corporation (MCC) of Austin, Texas, founded by a group of competing computer and high-technology firms which had agreed, for the first time in the US, to pool cash for a programme of pre-competitive research.

This research company develops tools and technology which may help its 21 shareholders develop their own fifth-generation computers and related products. Its research is unclassified — it has undertaken no government contracts. And the results are wholly owned by MCC on behalf of its shareholders.

MCC firmly denies it is developing a super computer. It cannot, under US anti-trust law. To survive at all it must tread gingerly here, but has been helped by legislation in 1984 which has also encouraged other research partnerships in the US (see below).

Its shareholders include Control Data (the chairman of which, William Norris, proposed the idea), Digital Equipment, Honeywell, NRC and Sperry among computer makers, and Bell Communication Research (Bellcore, part of the former Bell Labs), Boeing and Lockheed among other high-technology groups. But IBM is not among them, at least partly because of anti-trust worries, MMC says.

In contrast to this private-sector initiative which insists on keeping government at bay, Britain's Alvey directorate was born of a Government inquiry headed by Mr John Alvey, which recommended a national programme with substantial government support.

Alvey has the backing of three government departments, Defence, Trade and Industry, and Education and Science via the Science and Engineering Research Council (Serc).

Alvey is co-ordinating a programme of pre-competitive research, involving 60 companies, some foreign-owned such as Philips and IBM — 46 universities and polytechnics, and five national laboratories.

It has no laboratories of its own. Its research is spread nationwide, managed by more than 100 consortia — groupings of academic and industrial research teams, each allocated a piece of a grand plan to produce supercomputers.

Alvey has no anti-trust problems. It aims to assemble four large demonstrators, designed to act as a spur and a pull-through for the technologies, as Brian Oakley, its director, says. They are intended as prototypes of systems that could open large markets for Britain in the 1990s.

A review of Esprit, the European Strategic Programme of Research in Information Technology, with which Alvey relates closely, has just reached the conclusion that this programme of pre-compeitive research should also follow Alvey in having a programme of demonstrator projects.

Apart from the demonstrators, MCC and Alvey have similar research programmes; not surprisingly since they are essentially "enabling" programmes (see chart).

MCC's shareholders can choose which of the four projects they wish to back, from one to all four, then share the expense equally with other participants.

Alvey's consortia are designed to bring large and small companies and academic teams together in projects. About half the 60 companies are small and each consortium averages four partners. Mr Oakley claims it "is clear that the Alvey programme has succeeded in its objective of being co-operative. About 85 per cent of consortia include an academic partner.

In association with Alvey, co-operative research clubs have also sprung up, focusing on longer-term collaboration than Alvey's five-year programme, in areas such as VLSI, software reliability and intelligent knowledge-based systems (IKBS). They widen membership beyond the consortia themselves and are expected to survive beyond Alvey.

MCC has kept 97 per cent of its research in-house, in laboratories just outside Austin, where it has recruited a team of 380 led by Admiral Bobby Inman. MCC spent $50m (about £36m) last year, and has a research budget of $65m this year.

From the start, Admiral Inman recognised that a company without a definitive product could succeed only if its shareholders were seen to be using its technology.

Whereas Alvey relies on a passive process of technology transfer arising from the close association of disparate approaches to research — big-company, small-company, academic — MCC is taking more active measures.

Each shareholder has designated a scientist as its liaison employee on MCC's staff. He spends only 70 per cent of his time on research and the rest building the interface between MCC and the shareholder.

It is his job to see that the shareholder, who is paying his salary, gets equal rights in all the research for which he is helping to pay.

A common thread throughout MCC's research is its experiments in packaging and transferring technology out of its laboratories. The preferred package is expected to differ from programme to programme. The first technology transfers to its shareholders are likely this year, in the form of software for computerised design.

Universities are tied into the MCC programme, but at arm's length, as consultants. Its university affiliates programme has signed up 17 so far. It also plans to build a research centre on the campus of Texas University, Austin.

One basic criticism of the Alvey programme has been that it should focus more on specific applications and not just provide participants with enabling technologies. Mr Oakley says no: such a programme is incompatible with government policy.

But he accepts that problems and errors have arisen, for example in estimates of the time and effort needed to forge agreements and start funding his consortia. He now believes his directorate should have given its collaborators more help. "To our surprise it turned out that everyone was leaving," he says in his annual report.

He also admits he made a serious mistake in asking the Defence Ministry to administer the VLSI programme and Serc the academic grants. He wanted to minimise central effort and bind the Government agencies more tightly. He got "diversity of behaviour and quite inexcusable bureaucracy."

MCC is living with a different problem — US anti-trust paranoia. It still has critics who allege that its motives are suspect, and must police its own activities carefully to make sure that critics find no evidence of trust-busting.

Bill Stotesbury, in charge of MCC relations with the Government says: "The shareholders are very careful to walk that line and make sure that their employees walk that line."

> Everyone knows that a hint of collusion could bring policing by government or, worse, by competitors

### HOW THEY COMPARE

**ALVEY**

1. Very large scale integration (VSLI): 1-micron geometries or less.
2. Software engineering.
3. Intelligent knowledge-based systems (IKBS).
4. Man-machine interfaces (MMI).
5. Systems architecture.
6. Large demonstrators (prototype fifth-generation computers).
7. Infrastructure and communications.

**MCC**

1. Computer-aided design for VLSI (eight-year project): aims to permit team of professionals to design a 1m-device chip in less than a month.
2. Software engineering (seven-year project to improve productivity of large-scale development.
3. Packaging (six-year project) in automatically assembling 1m-device chips.
4. Systems architecture (10-year project) seeking big leaps in all aspects of computing.

# How US is rewriting anti-trust laws

MCC has been acclaimed as the biggest co-operative research and development effort in the US. This is not true. The Electric Power Research Institute, with 500 members among electric power companies, has an income of nearly $357m (£265m) compared with $65m for MCC. It uses this income to place research contracts worldwide, including some in the UK. The programme is managed from its headquarters in California.

The institute's members, like those of other well-accepted US co-operative research bodies, including the Gas Research Institute, are not commercial competitors.

MCC's approach is to manage a central laboratory for long-range research, expected to take between six and 10 years, on behalf of shareholders who may be competitors. It was chartered in August, 1982, but not until December that year did the US Justice Department give its (heavily qualified) approval.

Debate about the legality of co-operative research between rival companies continued for nearly two years. In October, 1984, the Co-operative Research Act was signed by President Reagan.

It defines the limits of a permissible joint research venture. This must stop short of any exchanges of cost, sales, productivity, prices, etc. "or service that is not reasonably required to conduct the venture's R & D."

It must not provide products, processes or services. It must not make agreements relating to inventions or developments which have taken place outside the co-operation.

So far, more than 40 US industries have signalled their interest in forming research ventures similar to MMC, taking advantage of the US Act. A software productivity corporation of 11 companies has recently been formed in Virginia. A fibre-optic consortium of six companies has been organised by Battelle to do research in its laboratories.

Other proposals for co-operative research filed with the US Justice Department last year included five involving Bellcore with other parties (in one case Racal) and a multi-national venture in using computers to improve productivity of manufacturing industry, which cites 38 European and 16 Japanese companies.



## A roller coaster to space

VISITORS to the Pleasure Beach, Blackpool, can experience some of the sensations of outer space on a new roller coaster which uses control systems made by Allen Bradley Industrial Automation, based in Milton Keynes.

The control hardware monitors the location of roller coaster vehicles.

The ride, the Space Invader, simulates a space journey and subjects passengers to effects such as mock space battles and an asteroid shower.

In a manner similar to railway signalling systems, the equipment controls braking and ensures that vehicles travel at no more than a pre-set speed and do not bump into each other.

## Carbon-carbon investigation

ROHR INDUSTRIES of Chula Vista, California, has set up a laboratory to examine applications of new carbon materials in the aerospace industry.

The work will investigate so-called carbon-carbon compounds, graphite structures reinforced with strands of carbon. The material can be useful in devices such as aircraft brakes and nozzles for jet engines.

Another promising application for the substance, which combines lightness with being extremely tough, is in leading edges of wings in aircraft that need to withstand high stress and heat.

## Air-cooler

ANCOM of Cheltenham is selling a new type of air cooling system to ensure that hardware such as computers and radio transmitters is kept at low temperatures. The system includes sensors that monitor air flow.



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# WORLD STOCK MARKETS

## Indices

### NEW YORK

| DOW JONES | Jan. 24 | Jan. 23 | Jan. 22 | Jan. 21 | Jan. 20 | 1985-86 High | 1985-86 Low | Since Cmp'n High | Since Cmp'n Low |
|---|---|---|---|---|---|---|---|---|---|
| ◆Industri'ls | 1529.93 | 1511.24 | 1502.29 | 1514.45 | 1529.13 | 1565.71 (7/1/86) | 1184.96 (4/1/85) | 1565.71 (7/1/86) | 41.22 (2/7/32) |
| H'me Bnds. | 83.88 | 84.14 | 83.80 | 83.94 | 84.15 | 84.87 (7/1/86) | 72.72 (20/5/85) | — | — |
| Transport... | 739.91 | 719.37 | 712.13 | 715.93 | 715.81 | 739.91 (24/1/86) | 553.03 (4/1/85) | 739.91 (24/1/85) | 12.32 (8/7/32) |
| Utilities .... | 171.21 | 170.09 | 169.47 | 170.80 | 172.34 | 179.06 (7/1/86) | 146.54 (4/1/85) | 179.06 (7/1/86) | 10.5 (28/4/42) |
| ◆Day's High | 1519.38 | (1525.57) | | Low 1491.74 | (1494.84) | | | | |

| STANDARD AND POORS | Jan. 24 | Jan. 23 | Jan. 22 | Jan. 21 | Jan. 20 | 1985-86 High | 1985-86 Low | Since Cmp'n High | Since Cmp'n Low |
|---|---|---|---|---|---|---|---|---|---|
| Composite | 206.43 | 204.25 | 203.49 | 205.79 | 207.53 | 215.80 7/1/86 | 163.60 4/1/85 | 215.80 7/1/86 | 4.40 1/6/32 |
| Indust'ls .... | 228.08 | 225.72 | 224.88 | 227.74 | 229.79 | 237.02 7/1/86 | 182.24 4/1/85 | 237.02 7/1/86 | 3.62 30/6/32 |
| Financials .. | 25.65 | 25.31 | 25.19 | 25.43 | 25.80 | 26.50 7/1/86 | 18.87 4/1/85 | 26.50 7/1/86 | 8.64 2/10/74 |
| N.Y.S.E. COMPOSITE | 119.38 | 118.14 | 117.75 | 118.95 | 119.86 | 125.14 7/1/86 | 94.50 4/1/85 | — | — |
| AMEX MKT. VALUE | 243.75 | 241.57 | 241.81 | 243.86 | 246.16 | 249.89 7/1/86 | 202.06 8/1/85 | 249.89 7/1/86 | 29.13 9/12/74 |
| NASDAQ OTC COMP. | 328.85 | 326.69 | 326.76 | 328.52 | 329.51 | 330.72 17/1/86 | 245.91 2/1/85 | 330.72 17/1/86 | 54.87 3/10/74 |

| DIVIDEND YIELDS | Jan. 17 | Jan. 10 | Jan. 3 | Dec. 27 | year ago (approx) |
|---|---|---|---|---|---|
| Dow Industrial... | 4.15 | 4.21 | 4.11 | 4.12 | 4.91 |
| | Jan. 15 | Jan. 8 | Dec. 31 | Dec. 24 | |
| S and P Industrial ... | 3.45 | 3.46 | 3.38 | 3.45 | 4.00 |
| S and P Ind P/E ratio | 14.66 | 14.61 | 14.88 | 14.60 | 10.71 |

TRADING ACTIVITY

| Volume † (Millions) | Jan. 24 | Jan. 23 | Jan. 22 |
|---|---|---|---|
| New York... | 128.930 | 130.510 | 131.180 |
| Amex ...... | 11.795 | 10.377 | 10.787 |
| O.T.C. ..... | 116.25 | 111.150 | 107.549 |

| New York | Jan. 24 | Jan. 23 | Jan. 22 |
|---|---|---|---|
| Issues Traded | 1,994 | 2,008 | 2,002 |
| Rises ......... | 1,136 | 798 | 551 |
| Falls ......... | 448 | 750 | 1,051 |
| Unchanged .... | 410 | 460 | 420 |
| New Highs ...... | — | 52 | 74 |
| New Lows ...... | — | 33 | 30 |

### CANADA

| TORONTO | Jan. 24 | Jan. 23 | Jan. 22 | Jan. 21 | Jan. 20 | 1985/86 High | 1985/86 Low |
|---|---|---|---|---|---|---|---|
| Metals & Minerals | 2205.34 | 2154.6 | 2145.3 | 2193.2 | 2224.1 | 2259.7 (16/1/86) | 1740.82 (31/7/85) |
| Composite | 2810.1 | 2773.3 | 2758.6 | 2814.2 | 2846.5 | 2900.6 (31/12/85) | 2348.5 (8/1/85) |
| MONTREAL Portfolio | 137.67 | 135.77 | 134.26 | 137.34 | 139.45 | 142.07 (17/12/85) | 117.0 (4/1/85) |

### NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Phillips Pet ... | 3,279,700 | 11⅛ | + ⅛ |
| Republic ...... | 3,240,500 | 15¼ | +1⅜ |
| Western Air ... | 2,407,400 | 8 | + ⅛ |
| NWA Ind ...... | 2,039,500 | 17 | − ¼ |
| AMR Corp ...... | 1,924,700 | 47⅞ | +3⅝ |
| ATT ............ | 1,730,900 | 22⅝ | + ⅛ |
| Eastern Air ... | 1,581,200 | 6⅞ | — |
| Merrill Lynch ... | 1,512,800 | 40½ | − ⅛ |
| IBM ............ | 1,407,700 | 150 | +2 |
| Texaco ........ | 1,307,700 | 28⅝ | +1⅛ |

| | Jan. 24 | Jan. 23 | Jan. 22 | Jan. 21 | 1985-86 High | 1985-86 Low |
|---|---|---|---|---|---|---|
| AUSTRALIA | | | | | | |
| All Ord. (1/1/80) | 1052.8 | 1058.5 | 1062.6 | 1067.6 | 1069.0 (22/1/86) | 715.5 (7/1/85) |
| Metals & Mins. (1/1/80) | 528.4 | 533.3 | 545.5 | 545.3 | 555.5 (20/1/86) | 382.5 (7/1/85) |
| AUSTRIA | | | | | | |
| Credit Aktien (2/1/62) | 118.75 | 121.16 | 123.02 | 124.47 | 126.85 (15/1/86) | 58.21 (24/1/85) |
| BELGIUM | | | | | | |
| Brussels SE (1/1/80) | 2794.76 | 2799.86 | 2817.33 | 2822.73 | 2866.36 (20/11) | 2090.7 (18/1/85) |
| DENMARK | | | | | | |
| Copenhagen SE (3/1/83) | — | (u) | 215.84 | 214.37 | 237.78 (2/1/86) | 158.44 (8/1/85) |
| FRANCE | | | | | | |
| CAC General (3/1/80) | 277.3 | 271.5 | 271.3 | 271.4 | 282.3 (8/1/86) | 180.9 (3/1/85) |
| Ind Tendance (31/12/85) | 106.1 | 102.4 | 102.5 | 102.8 | 108.2 (8/1/86) | 100.0 (31/12/85) |
| GERMANY | | | | | | |
| FAZ Aktien (31/12/58) | 665.67 | 655.65 | 678.82 | 687.42 | 716.76 (15/1/86) | 382.38 (3/1/85) |
| Commerzbank (1/12/53) | 2057.8 | 1968.9 | 2044.7 | 2076.1 | 2181.8 (15/1/86) | 1111.9 (3/1/85) |
| HONG KONG | | | | | | |
| Hang Seng Bank (31/7/64) | 1745.80 | 1762.29 | 1757.94 | 1776.19 | 1826.84 (8/1/86) | 1220.74 (2/1/85) |
| ITALY | | | | | | |
| Banca Comm Ital. (1972) | — | (u) | 477.09 | 489.47 | 489.47 (21/1/86) | 228.56 (2/1/85) |
| JAPAN** | | | | | | |
| Nikkei (16/5/49) | 12904.2 | 12888.9 | 12923.5 | 12881.5 | 13136.9 (4/1/86) | 11545.2 (5/1/85) |
| Tokyo SE New (4/1/68) | 1031.15 | 1026.69 | 1027.53 | 1026.85 | 1057.55 (10/7) | 916.93 (4/1/85) |
| NETHERLANDS | | | | | | |
| ANP-CBS General (1970) | 256.5 | 252.4 | 261.0 | 265.0 | 267.8 (8/1/86) | 186.6 (3/1/85) |
| ANP-CBS Indust (1970) | 246.5 | 243.4 | 251.7 | 254.1 | 256.5 (17/1/86) | 147.9 (3/1/85) |
| NORWAY | | | | | | |
| Oslo SE (4/1/83) | 580.72 | 576.45 | 576.97 | 583.85 | 412.68 (12/11) | 288.18 (2/1/85) |
| SINGAPORE | | | | | | |
| Straits Times (30/12/66) | 596.45 | 588.41 | 598.61 | 600.09 | 852.65 (7/3) | 581.41 (23/1/86) |
| SOUTH AFRICA | | | | | | |
| JSE Gold (28/9/78) | — | 1237.1 | 1269.4 | 1279.0 | 1279.0 (21/1/86) | 829.5 (5/8) |
| JSE Indust (28/9/78) | — | 1095.1 | 1092.2 | 1097.5 | 1112.8 (9/1/86) | 787.1 (7/3) |
| SPAIN | | | | | | |
| Madrid SE (30/12/85) | 109.68 | 110.01 | 111.25 | 111.70 | 113.11 (20/1/86) | 100.0 (30/12/85) |
| SWEDEN | | | | | | |
| Jacobson & P (31/12/56) | 1765.59 | 1747.91 | 1768.52 | 1763.93 | 1987.25 (8/1/86) | 1285.52 (9/7) |
| SWITZERLAND | | | | | | |
| Swiss BankCpn (31/12/58) | 581.1 | 568.5 | 586.6 | 584.0 | 625.5 (8/1/86) | 588.7 (3/1/86) |
| WORLD | | | | | | |
| M.S. Capital Intl. (1/1/70) | — | 249.8 | 250.4 | 252.1 | 259.0 (7/1/86) | 184.6 (4/1/85) |

** Saturday January 25: Japan Nikkei 12,953.37. TSE 1,036.54.

Base value of all indices is 100, except: Brussels SE—1,000; JSE Gold—255.7; JSE Industrial 264.3; Australia All Ordinary and Metals—500; NYSE Composite—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c-Closed. u Unavailable.

## AUSTRIA

## BELGIUM/LUXEMBOURG

## DENMARK

## SWITZERLAND

## FRANCE

## GERMANY

## NETHERLANDS

## SWEDEN

## SOUTH AFRICA

## NORWAY

## ITALY

## AUSTRALIA

## HONG KONG

## SINGAPORE

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

## JAPAN

## SPAIN

## CANADA

### TORONTO

*Closing prices January 24*

### MONTREAL

*Closing prices January 24*

## OVER-THE-COUNTER

*Nasdaq national market, closing prices, January 24*

Continued from Page 31

*Closing prices, January 24*

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 28 | 16 | AAR | .56 | 2.1 | 16 | 78 | 26¼ | 25¾ | 26¼ | +¼ |
| 24⅝ | 10¼ | AGS | | | 17 | 108 | 21¾ | 21⅛ | 21¾ | +⅝ |
| 56¾ | 34 | AMR | | | 8 | 19247 | 47⅞ | 44½ | 47⅞ | +3⅜ |
| 24¾ | 18⅝ | AMR pf2.18 | | 9.2 | | 4 | 23¾ | 23½ | 23¾ | +¼ |
| 25⅞ | 23¼ | ANR pf 2.67 | | 11. | | 2 | 24½ | 24½ | 24½ | −⅛ |
| 22 | 19 | ANR pf 2.12 | | 10. | | 365 | 21 | 20¾ | 21 | +¼ |
| 11¾ | 7⅝ | APL | | | 5 | 21 | 10⅝ | 10⅜ | 10½ | |
| 16¾ | 10⅝ | ARX | | | 13 | 69 | 14⅛ | 13⅞ | 14 | +¼ |
| 55⅝ | 32¾ | ASA | 2a | 5.0 | | 1175 | 39⅞ | 38 | 39⅝ | +¾ |
| 27 | 10½ | AVX | | 2.3 | | 151 | 14 | 13⅞ | 13⅞ | −⅛ |
| 28⅛ | 20⅝ | AZP | 2.72 | 10. | 8 | 4562 | 27¼ | 26⅞ | 27⅛ | +¼ |
| 72 | 43¾ | AbtLab 1.40 | | 2.2 | 17 | 1318 | 65⅛ | 64½ | 64¾ | −⅛ |
| 28⅜ | 19⅝ | AccoWd .50 | | 1.9 | 20 | 131 | 27 | 26⅝ | 26¾ | |
| 24¾ | 10 | AcmeC .40 | | 3.0 | 19 | 139 | 13⅜ | 12⅞ | 13⅜ | +¾ |
| 10½ | 7 | AcmeE .32b | | 3.7 | 13 | 4 | 8¾ | 8¾ | 8¾ | |
| 19¾ | 16 | AdaEx 1.90e | | 11. | | 91 | 18 | 17⅞ | 18 | |
| 22¾ | 14 | AdmMl .40 | | 1.8 | 9 | 66 | 21⅝ | 21⅛ | 21⅝ | +½ |
| 18⅜ | 8¾ | AdvSys 1.36t | | 8.1 | 15 | 26 | 16⅞ | 16¾ | 16⅞ | |
| 36⅝ | 22⅛ | AMD | | | | 3203 | 29⅛ | 28⅛ | 29⅛ | +⅞ |
| 12⅝ | 10⅝ | Adobe n | | | | 121 | 12⅛ | 11¾ | 11⅞ | |
| 18⅝ | 14⅝ | Adob pf 1.84 | | 10. | | 121 | 17⅝ | 17⅛ | 17⅝ | +⅛ |
| 18½ | 15¼ | Adob pf 2.40 | | 14. | | 23 | 18 | 17½ | 17⅝ | −⅛ |
| 14⅜ | 8⅛ | Advest .12e | | .9 | 20 | 943 | 14⅛ | 13⅝ | 13⅞ | +⅛ |
| 55½ | 37 | AetnLf 2.64 | | 4.9 | 16 | 1880 | 54 | 53½ | 53¾ | +⅝ |
| 57½ | 52½ | AetL pf5.18e | | 9.5 | | 1508 | 54½ | 54 | 54½ | +⅛ |
| [illegible] | | | | | | | | | | |

Continued on Page 31

# NYSE COMPOSITE CLOSING PRICES

Continued from Page 30

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 56 5/8 | 45 | PenCen | | | 18 | 1097 | 54 | 52 1/2 | 53 3/4 | +1 |
| 57 1/4 | 45 1/8 | Penney | 2.36 | 4.2 | 11 | 1471 | 55 3/4 | 54 1/2 | 55 3/4 | +1 1/2 |
| 29 7/8 | 23 1/2 | PaPL | 2.56 | 8.8 | 11 | 833 | 29 | 28 1/2 | 28 7/8 | +1/4 |
| 42 | 34 | PaPL | pf4.40 | 11. | | z220 | 40 1/4 | 40 1/4 | 40 1/4 | −1/4 |
| 41 | 33 1/2 | PaPL | pf4.50 | 11. | | z750 | 40 1/4 | 40 | 40 1/8 | +1/8 |
| 81 | 64 1/4 | PaPL | pf8.60 | 11. | | z70 | 79 | 79 | 79 | +1/2 |
| 29 3/4 | 25 5/8 | PaPL | dpr3.42 | 12. | | 37 | 29 | 28 5/8 | 28 5/8 | |
| 27 1/2 | 23 1/2 | PaPL | dpr2.90 | 10. | | 27 | u27 5/8 | 27 1/2 | 27 5/8 | +1/4 |
| 77 1/2 | 63 3/4 | PaPL | pr8.40 | 11. | | z140 | 76 | 76 | 76 | +1/4 |
| 29 1/2 | 24 5/8 | PaPL | dpr3.25 | 11 | | 7 | 28 7/8 | 28 3/4 | 28 3/4 | −3/4 |
| 31 3/4 | 28 | PaPL | dpr3.75 | 12. | | 10 | 30 1/8 | 30 1/8 | 30 1/8 | +1/8 |
| 104 3/4 | 90 3/4 | PaPL | pr 11 | 11. | | z120 | 103 3/4 | 103 3/4 | 103 3/4 | |
| 109 | 100 | PaPL | pr 13 | 12. | | z140 | 108 | 107 1/2 | 107 1/2 | −1/2 |
| 71 | 60 | PaPL | pr 8 | 11. | | z600 | u72 | 71 7/8 | 72 | +1 1/8 |
| 78 | 65 | PaPL | pr8.70 | 11. | | z80 | 77 1/2 | 77 1/2 | 77 1/2 | +1/2 |
| 44 1/2 | 34 | Penwlt | 2.20 | 5.2 | | 369 | 42 1/4 | 41 3/4 | 42 1/4 | +1/4 |
| 26 5/8 | 21 7/8 | Penw | pf1.60 | 6.4 | | 25 | 26 | 25 | 25 | −5/8 |
| 91 | 34 | Pennzo | 2.20 | 3.4 | 29 | 2701 | 67 | 64 1/8 | 64 1/4 | −2 3/4 |
| 20 3/8 | 14 5/8 | PeopEn | 1.20 | 6.2 | 8 | 161 | 19 3/8 | 19 1/4 | 19 3/8 | −1/8 |
| 28 1/2 | 16 1/4 | PepBy s | .20 | .8 | 20 | 108 | 25 1/2 | 25 1/4 | 25 1/2 | +3/8 |
| 75 5/8 | 42 | PepsiCo | 1.78 | 2.6 | 12 | 3604 | 68 1/2 | 66 7/8 | 68 1/4 | +1 5/8 |
| 33 1/8 | 22 1/8 | PerkEl | .80 | 1.8 | 19 | 2295 | 33 | 32 1/2 | 33 | +3/8 |
| 9 1/2 | 6 5/8 | Prmian | 1.04e | 15. | 6 | 630 | 7 | 6 3/4 | 7 | +1/8 |
| 18 3/4 | 11 1/8 | PeryD s | .22 | 1.3 | 17 | 133 | 16 3/4 | 16 | 16 1/2 | +3/8 |
| 54 1/4 | 32 3/4 | Petrie | 1.40 | 3.0 | 15 | 627 | 47 3/4 | 46 | 47 1/4 | +1 1/2 |
| 28 1/2 | 22 1/4 | PetRs | 3.51e | 15. | | 125 | 23 5/8 | 23 1/8 | 23 1/8 | +1/8 |
| 17 1/4 | 14 7/8 | PetRs | pf1.57 | 9.4 | | 72 | 16 7/8 | 16 5/8 | 16 5/8 | −1/8 |
| 5 3/4 | 2 1/4 | PtrInv | .65e | 23. | | 36 | 2 7/8 | 2 5/8 | 2 7/8 | +1/4 |
| [illegible] | | | | | | | | | | |
| 41 3/4 | 28 3/4 | Zurnin | 1.32 | 3.1 | 15 | 178 | u42 1/4 | 41 5/8 | 42 | +1/8 |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.



# AMEX COMPOSITE CLOSING PRICES

Closing prices, January 24

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

# OVER-THE-COUNTER

Nasdaq national market, closing prices, January 24

| Stock | Sales (Hnds) | High | Low | Last | Chng |
|---|---|---|---|---|---|
| [illegible] | | | | | |

Continued on Page 29

# CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

# Handle with care

BY COLIN MILLHAM

Last week will not be remembered as a particularly happy one for those who walk the corridors of power in the UK. The Government's problems over the Westland affair were a background irritation as far as sterling and the financial markets were concerned, but if the pound's plight on the foreign exchanges is not seen to have been handled well by the authorities, and turns into a crisis similar to this time last year, then the two events together could turn out to be very damaging.

This nagging doubt about the general standard of political and economic management in Britain is at the heart of the Bank of England's problems over sterling and interest rates.

The timing of any move by the authorities on interest rates is seen as crucial. London money market rates indicated bank base rates of at least 13½ per cent last week, but the Bank of England declined to endorse the rise of 1 per cent for various reasons, but probably mainly because to move too early would be just as disastrous as to move too late.

At this time last year there were accusations that the rise in interest rates was left too late, and that if base rates had been raised from below 10 per cent before January 11 the pound would not have fallen to almost parity with the dollar, and it would not have been necessary to have base rates at 14 per cent by January 28.

But the situation is rather different this time. In early January last year US bank prime rates of 10¾ per cent, about 1 percentage point above UK base rates, and the dollar was also at a much higher value on the exchanges. Prime rates are now 9½ per cent, or 3 points below base rates, while the dollar has fallen sharply over the last four months, and sterling is not under any immediate pressure against the dollar. Over the same period Frankfurt money market rates have eased by about 1 per cent, but the D-mark has risen strongly against the dollar, and has also improved against sterling, leaving the pound at record lows against the German currency.

It is therefore sterling's general weakness, rather than its position in terms of the dollar, that is causing concern. The pound's exchange rate index touched a 10-month low last week, largely because of the fall in the price of oil on the world market.

To some extent sterling was helped by the comment from the Japanese Finance Minister on Friday that the authorities are prepared to accept a further fall in the value of the dollar to Y190.

By the end of the week the financial markets in London were confused and looking for guidance. The emergency debate in the House of Commons today is regarded as crucial for the Government, and the market's perception of the authorities' ability to manage.

Delegates from Opec meet in Vienna next Monday, when the present price and production quota agreements will come under review. UK money supply and bank lending figures are scheduled for release the following day, and if the authorities have managed to hold out that long these two events may give all the justification that is needed for higher rates.

### £ IN NEW YORK

| Closing Rates | Jan. 24 | Prev. close |
|---|---|---|
| £ Spot | $1.3940-1.3950 | $1.3910-3920 |
| 1 month | 0.59-0.57pm | 0.63-0.61pm |
| 3 months | 1.72-1.69pm | 1.85-1.82pm |
| 12 months | 5.65-5.55pm | 6.06-5.98pm |

Forward premiums and discounts apply to the U.S. dollar

### CURRENCY MOVEMENTS

| Jan. 24 | Bank of England Index | Morgan Guaranty Change % |
|---|---|---|
| Sterling | 74.3 | −17.1 |
| U.S. dollar | 124.7 | +14.6 |
| Canadian dollar | 79.8 | −12.5 |
| Austrian schilling | 123.1 | +6.6 |
| Belgian franc | 93.3 | −8.8 |
| Danish Kroner | 83.8 | −2.3 |
| Deutsche mark | 132.3 | +13.0 |
| Swiss franc | 151.7 | +12.9 |
| Guilder | 121.7 | +7.9 |
| French franc | 70.4 | −11.0 |
| Lira | 46.6 | −18.7 |
| Yen | 160.3 | +33.5 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

### OTHER CURRENCIES

| Jan 24 | £ | $ |
|---|---|---|
| Arg'tina | 1.1006-1.1030 | 0.8000-0.8010 |
| Aus'alia | 1.9550-1.9590 | 1.4060-1.4065 |
| Brazil | 15,926-16,026 | 11,570-11,600 |
| Finland | 7.5065-7.5305 | 5.4160-5.4180 |
| Greece | 205.40-209.60 | 147.30-150.40 |
| H'kong | 10.8275-10.8475 | 7.8095-7.8115 |
| Iran | 120.80* | 84.30* |
| Kuwait | 0.4000-0.4010 | 0.28805-0.28815 |
| Lux'burg | 69.10-69.20 | 49.55-49.65 |
| Malaysia | [illegible] | [illegible] |
| N.Z'land | [illegible] | [illegible] |
| Saudi Ar. | [illegible] | [illegible] |
| Sin'pore | [illegible] | [illegible] |
| S.Af.(Cm) | [illegible] | [illegible] |
| S.Af.(Fn) | [illegible] | [illegible] |
| U.A.E. | [illegible] | [illegible] |

*Selling rate

### CURRENCY RATES

| Jan. 24 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | — | 0.788476 | 0.641664 |
| U.S.$ | 7½ | 1.09953 | 0.895121 |
| Canadian $ | 10.33 | * | 1.26230 |
| Austria Sch. | 4 | 18.7701 | 15.2350 |
| Belgian Fr | 9¾ | 54.6329 | 44.3667 |
| Danish Kr | 7 | 9.82430 | 7.98314 |
| D'mark | 4 | 2.66768 | 2.16709 |
| Guilder | 5 | 3.00831 | 2.44323 |
| French Fr | 9½ | 8.20089 | 6.65791 |
| Lira | 15½ | N/A | 1476.95 |
| Yen | 5 | 221.825 | 175.891 |
| N'rwgn Kr | [illegible] | [illegible] | [illegible] |
| Spanish Pta | — | N/A | [illegible] |
| Swedish Kr | [illegible] | [illegible] | 6.78726 |
| Swiss Fr | [illegible] | [illegible] | 1.83321 |
| Greek Dr'ch | 20½ | 153.720 | 132.684 |
| Irish Punt | — | N/A | 0.714953 |

*CS/SDR rate for January 23: 1.53550.

### POUND SPOT—FORWARD AGAINST POUND

| Jan 24 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Canada | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Nethlnd | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Belgium | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Denmark | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Ireland | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| W. Ger | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Portugal | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Spain | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Italy | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Norway | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| France | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sweden | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Japan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Austria | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Switz | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Belgian rate is for convertible francs. Financial franc 70.10-70.20
Six-month forward dollar 3.50-3.45c pm. 12-month 6.15-6.05c pm

### FORWARD RATES AGAINST STERLING

| | Spot | 1-month | 3-month | 6-month | 12-month |
|---|---|---|---|---|---|
| Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| D-Mark | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| French Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Swiss Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Japanese Yen | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu January 24 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 44.8320 | [illegible] | [illegible] | [illegible] | [illegible] |
| Danish Krone | 8.12857 | [illegible] | [illegible] | [illegible] | [illegible] |
| German D-mark | 2.23840 | [illegible] | [illegible] | [illegible] | [illegible] |
| French Franc | 6.86402 | [illegible] | [illegible] | [illegible] | [illegible] |
| Dutch Guilder | 2.52208 | [illegible] | [illegible] | [illegible] | [illegible] |
| Irish Punt | 0.725578 | [illegible] | [illegible] | [illegible] | [illegible] |
| Italian Lira | 1520.60 | 1476.95 | [illegible] | [illegible] | [illegible] |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

## CURRENCY FUTURES

**POUND—$ (FOREIGN EXCHANGE)**

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.3940 | 1.3909 | 1.3761 | 1.3681 | 1.3330 |

**IMM—STERLING $s per £**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 1.3836 | 1.3880 | 1.3770 | 1.3750 |
| June | 1.3670 | 1.3740 | 1.3690 | 1.3595 |
| Sept | 1.3530 | 1.3600 | 1.3495 | 1.3435 |
| Dec. | 1.3420 | 1.3600 | 1.3375 | 1.3310 |

**LIFFE—STERLING £25,000 $ per £**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 1.3836 | 1.3870 | 1.3809 | 1.3675 |
| June | 1.3683 | — | — | 1.3510 |
| Sept | 1.3533 | — | — | 1.3367 |

Estimated volume 71 (515)
Previous day's open int 2,063 (2,030)

**LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 0.4144 | 0.4145 | 0.4135 | 0.4102 |
| June | 0.4173 | — | — | 0.4136 |

Estimated volume 35 (18)
Previous day's open int 153 (190)

**LIFFE—EURODOLLAR OPTIONS $1m points of 100%**

| Strike price | Calls—Last March | June | Sept | Vol | Puts—Last March | June | Sept | Vol |
|---|---|---|---|---|---|---|---|---|
| 90.00 | 2.00 | 1.87 | — | — | 0.00 | 0.01 | — | — |
| 90.50 | 1.50 | 1.39 | 1.29 | — | 0.00 | 0.03 | 0.15 | — |
| 91.00 | 1.01 | 0.94 | 0.90 | — | 0.01 | 0.08 | 0.28 | — |
| 91.50 | 0.56 | 0.55 | 0.58 | 10 | 0.06 | 0.19 | 0.44 | 100 |
| 92.00 | 0.22 | 0.27 | 0.33 | 100 | 0.22 | 0.41 | 0.69 | — |
| 92.50 | 0.05 | 0.10 | 0.16 | — | 0.55 | 0.74 | 1.02 | — |
| 93.00 | 0.01 | 0.02 | 0.07 | — | 1.01 | 1.16 | 1.43 | — |

Previous day's open int. Calls 2,670, Puts 2,237

**LIFFE £/$ OPTIONS £25,000 (cents per £1)**

| Strike price | Calls—Last Feb | Mar | April | June | Sept | Puts—Last Feb | Mar | April | June | Sept |
|---|---|---|---|---|---|---|---|---|---|---|
| 1.20 | — | 19.10 | — | 19.10 | — | — | 0.01 | — | 0.37 | — |
| 1.25 | — | 14.10 | — | 14.10 | — | — | 0.08 | — | 0.97 | — |
| 1.30 | 9.10 | 9.10 | 9.10 | 9.10 | 9.35 | 0.04 | 0.44 | 0.92 | 2.13 | 4.05 |
| 1.35 | 4.32 | 4.90 | 5.26 | 5.86 | 6.65 | 0.82 | 1.55 | 2.35 | 4.02 | 6.32 |
| 1.40 | 1.33 | 2.22 | 2.74 | 3.54 | 4.53 | 2.83 | 3.87 | 4.83 | 6.71 | 9.20 |
| 1.45 | 0.22 | 0.79 | 1.23 | 1.99 | 2.94 | 6.42 | 7.44 | 8.32 | 10.16 | 12.83 |
| 1.50 | 0.01 | 0.22 | 0.47 | 1.03 | 1.86 | 11.21 | 11.87 | 12.56 | 14.30 | 16.53 |

Estimated volume total. Calls 422, Puts 76
Previous day's open int. Calls 7,712, Puts 8,008

**LONDON SE £/$ OPTIONS £12,500 (cents per £1)**

| Strike price | Calls—Last Feb | Mar | April | June | Sept | Puts—Last Feb | Mar | April | June | Sept |
|---|---|---|---|---|---|---|---|---|---|---|
| 1.20 | — | 19.50 | — | 19.50 | — | — | 0.35 | — | 0.50 | — |
| 1.25 | — | 14.50 | — | 14.50 | 14.50 | — | 0.40 | — | 1.10 | 2.25 |
| 1.30 | — | 9.60 | — | 9.50 | 9.80 | — | 0.60 | — | 2.25 | 3.70 |
| 1.35 | 5.00 | 5.00 | 5.40 | 6.00 | 6.80 | 0.70 | 1.80 | 2.50 | 4.00 | 5.70 |
| 1.40 | 1.60 | 2.70 | 2.80 | 3.60 | 4.30 | 2.60 | 4.20 | 5.20 | 7.00 | 8.70 |
| 1.45 | 0.45 | 0.85 | 1.20 | 1.80 | 2.60 | 6.80 | 7.80 | 8.30 | 10.20 | 11.70 |
| 1.50 | 0.10 | 0.30 | 0.50 | 0.90 | 1.40 | 11.80 | 12.40 | 12.70 | 13.30 | 15.80 |

Previous day's open int. Calls 6,166, Puts 6,804
Volume. 406

**PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)**

| Strike price | Calls—Last Feb | Mar | April | June | Sept | Puts—Last Feb | Mar | April | June | Sept |
|---|---|---|---|---|---|---|---|---|---|---|
| 1.20 | — | — | — | — | — | — | — | — | — | — |
| 1.25 | — | — | — | — | — | — | — | — | 1.10 | — |
| 1.30 | — | 18.75 | — | 9.40 | — | 0.15 | 0.65 | — | 2.35 | — |
| 1.35 | — | 5.00 | 5.35 | 6.00 | — | 0.80 | 1.75 | 2.40 | 3.80 | — |
| 1.40 | 1.60 | 2.40 | 3.00 | 3.75 | — | 2.80 | 3.90 | — | 6.80 | — |
| 1.45 | 0.40 | 0.95 | 1.40 | 2.20 | — | 6.30 | 7.65 | — | — | — |
| 1.50 | — | 0.35 | — | 1.20 | — | — | — | — | — | — |

Previous day's open int: Calls 64,375. Puts 51,692
Volume (mid-day): Calls 636. Puts 2,934

## CHICAGO

**US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 83-20 | 83-23 | 83-08 | 83-21 |
| June | 82-15 | 82-18 | 82-04 | 82-16 |
| Sept | 81-16 | 81-16 | 81-04 | 81-16 |
| Dec | 80-18 | 80-19 | 80-10 | 80-19 |
| March | 79-23 | 79-23 | 79-15 | 79-24 |
| June | 78-31 | 79-02 | 78-21 | 79-00 |
| Sept | — | — | — | — |
| Dec | 77-24 | 77-24 | 77-17 | 77-25 |
| March | 77-09 | — | — | 77-10 |
| June | 76-28 | 76-28 | 76-19 | 76-29 |

**US TREASURY BILLS (IMM) $1m points of 100%**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 93.15 | 93.21 | 93.12 | 93.15 |
| June | 93.05 | 93.10 | 92.99 | 93.02 |
| Sept | 92.86 | 92.87 | 92.80 | 92.83 |
| Dec | 92.63 | 92.67 | 92.58 | 92.60 |
| March | 92.40 | 92.42 | 92.35 | 92.37 |
| June | 92.20 | 92.20 | 92.10 | 92.15 |
| Sept | 92.01 | 92.01 | 91.95 | 91.94 |
| Dec | 91.83 | 91.82 | 91.75 | 91.74 |

**CERT. DEPOSIT (IMM) $1m points of 100%**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 92.31 | 92.30 | 92.24 | 92.27 |
| June | 92.17 | 92.18 | 92.07 | 92.11 |
| Sept | 91.85 | — | — | 91.89 |
| Dec | 91.71 | — | — | 91.66 |

**THREE-MONTH EURODOLLAR (IMM) $1m points of 100%**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 92.01 | 92.04 | 91.89 | 91.97 |
| June | 91.86 | 91.91 | 91.73 | 91.81 |
| Sept | 91.65 | 91.67 | 91.51 | 91.59 |
| Dec | 91.41 | 91.44 | 91.27 | 91.35 |
| March | 91.16 | 91.20 | 91.02 | 91.10 |
| June | 90.92 | 90.95 | 90.81 | 90.86 |
| Sept | 90.70 | 90.74 | 90.58 | 90.62 |
| Dec | 90.50 | 90.54 | 90.38 | 90.41 |

## LONDON

**20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 107-30 | 108-10 | 107-22 | 107-10 |
| June | 108-23 | 108-23 | 108-20 | 108-04 |
| Sept | 108-22 | — | — | 108-03 |

Estimated volume 6,657 (7,445)
Previous day's open int 7,102 (7,295)
Basis quote (clean cash price of 13% Treasury 2004-08 less equivalent price of near futures contract) —8 to —3 (32nds)

**10% NOTIONAL SHORT GILT £100,000 64th of 100%**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 94-35 | 94-37 | 94-22 | 94-08 |
| June | 95-01 | — | — | 94-38 |

Estimated volume 510 (712)
Previous day's open int 1,293 (1,296)

**THREE-MONTH STERLING £500,000 points of 100%**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 86.64 | 86.83 | 86.60 | 86.46 |
| June | 87.28 | 87.48 | 87.27 | 87.10 |
| Sept | 87.90 | 88.03 | 87.88 | 87.72 |
| Dec | 88.18 | 88.30 | 88.18 | 88.02 |
| March | 88.28 | 88.40 | 88.30 | 88.12 |
| June | 88.36 | 88.45 | 88.25 | 88.42 |

Estimated volume 7,411 (5,919)
Previous day's open int 11,546 (11,087)

**FT-SE 100 INDEX £25 per full index point**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 140.60 | 140.70 | 139.25 | 139.20 |
| June | 142.10 | — | — | 140.70 |

Estimated volume 267 (531)
Previous day's open int 2,140 (2,037)

**THREE-MONTH EURODOLLAR $1m points of 100%**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 92.00 | 92.00 | 91.89 | 91.93 |
| June | 91.86 | 91.87 | 91.79 | 91.76 |
| Sept | 91.64 | 91.63 | 91.56 | 91.53 |
| Dec | 91.39 | 91.38 | 91.34 | 91.29 |
| March | 91.14 | — | — | 91.04 |
| June | 90.92 | — | — | 90.82 |
| Sept | 90.69 | — | — | 90.59 |

Estimated volume 4,260 (6,489)
Previous day's open int 20,603 (21,060)

**US TREASURY BONDS 8% $100,000 32nds of 100%**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 83-20 | 83-22 | 83-04 | 83-17 |
| June | 82-15 | 82-12 | 82-12 | 82-11 |

Estimated volume 5,471 (7,243)
Previous day's open int 3,469 (3,812)

### DOLLAR SPOT—FORWARD AGAINST DOLLAR

| Jan 24 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | [illegible] | [illegible] | 0.63-0.59c pm | 5.25 | 1.82-1.77 pm | 5.15 |
| Ireland† | [illegible] | [illegible] | 0.75-0.60c pm | 6.49 | 2.25-1.75 pm | 6.41 |
| Canada | [illegible] | [illegible] | 0.27-0.30c dis | −2.43 | 0.73-0.81dis | −2.18 |
| Nethlnd | [illegible] | [illegible] | 0.57-0.54c pm | 2.44 | 1.61-1.58 pm | 2.33 |
| Belgium | [illegible] | [illegible] | 7-11c dis | −2.18 | 28-33 dis | −2.38 |
| Denmark | [illegible] | [illegible] | par-¼ore dis | −0.42 | ¼-¾ dis | −0.22 |
| W. Ger | [illegible] | [illegible] | 0.77-0.72pf pm | 3.88 | 2.11-2.06 pm | 3.44 |
| Portugal | [illegible] | [illegible] | 200-400c dis | −22.88 | 450-950dis | −17.78 |
| Spain | [illegible] | [illegible] | 35-65c dis | −3.91 | 150-200 dis | −4.56 |
| Italy | [illegible] | [illegible] | 12¾-13¾lire dis | −9.62 | [illegible] dis | −9.56 |
| Norway | [illegible] | [illegible] | 3-3¾ore dis | −4.97 | 9-9¾ dis | −4.84 |
| France | [illegible] | [illegible] | 1.30-1.60c dis | −2.33 | 8.25-9.00dis | −4.83 |
| Sweden | [illegible] | [illegible] | 3-3¾ore dis | −4.94 | 8¼-8¾ dis | −4.55 |
| Japan | [illegible] | [illegible] | 0.23-0.20y pm | 1.30 | 0.69-0.63 pm | 1.32 |
| Austria | [illegible] | [illegible] | 2¼-1¾gro pm | 1.50 | 6¼-4 pm | 1.23 |
| Switz | [illegible] | [illegible] | 0.68-0.63c pm | 3.83 | 1.96-1.91 pm | 3.77 |

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 50.30-50.35

### EXCHANGE CROSS RATES

| Jan 24 | £ | $ | DM | YEN | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1. | 1.394 | 3.373 | 273.3 | 10.37 | 2.853 | 3.805 | 2304. | 1.970 | 69.15 |
| $ | 0.717 | 1. | 2.419 | 196.0 | 7.438 | 2.047 | 2.730 | 1653. | 1.412 | 49.60 |
| DM | 0.297 | 0.413 | 1. | 81.03 | 3.073 | 0.846 | 1.128 | 683.0 | 0.584 | 20.50 |
| YEN | 3.660 | 5.102 | 12.34 | 1000. | 37.93 | 10.44 | 13.92 | 8430. | 7.210 | 253.1 |
| F Fr. | 0.965 | 1.345 | 3.254 | 263.6 | 10. | 2.752 | 3.671 | 2222. | 1.901 | 66.71 |
| S Fr. | 0.351 | 0.489 | 1.182 | 95.79 | 3.634 | 1. | 1.334 | 807.5 | 0.691 | 24.24 |
| H Fl. | 0.263 | 0.366 | 0.886 | 71.81 | 2.724 | 0.750 | 1. | 605.4 | 0.518 | 18.17 |
| Lira | 0.434 | 0.605 | 1.464 | 118.6 | 4.500 | 1.238 | 1.652 | 1000. | 0.856 | 30.02 |
| C $ | 0.508 | 0.708 | 1.712 | 138.7 | 5.261 | 1.448 | 1.931 | 1169. | 1. | 35.10 |
| B Fr. | 1.446 | 2.016 | 4.877 | 395.2 | 14.99 | 4.125 | 5.503 | 3331. | 2.849 | 100. |

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

### EURO-CURRENCY INTEREST RATES

| Jan. 24 | Short term | 7 Days notice | 1 Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | [illegible] | [illegible] | 12⅞-13 | 13⅛-13⅛ | 13⅛-13⅛ | 12⅞-13⅛ |
| U.S. Dollar | [illegible] | [illegible] | 8-8⅛ | 8-8⅛ | 8⅛-8⅛ | 8⅛-8⅛ |
| Can Dollar | [illegible] | [illegible] | 10¼-10⅜ | 10⅛-10⅛ | 10⅛-10⅛ | 10⅛-10⅛ |
| D Guilder | [illegible] | [illegible] | 5⅛-5⅛ | 5⅛-5⅛ | 5⅛-5⅛ | 5¾-5⅞ |
| Sw. Franc | [illegible] | [illegible] | 4⅛-4⅛ | 4⅛-4⅛ | 4⅛-4⅛ | 4⅛-4⅛ |
| Deutschmark | [illegible] | [illegible] | 4½-4⅝ | 4⅛-4⅛ | 4⅛-4⅛ | 4¾-4⅞ |
| Fr. Franc | [illegible] | [illegible] | 10¼-10½ | 12⅛ 12¾ | 12-12⅛ | 11⅛-11⅛ |
| Italian Lira | [illegible] | [illegible] | 17⅛-18⅛ | 18-18¾ | 17-17⅛ | 15¾-16½ |
| B.Fr.(Fin.) | [illegible] | [illegible] | 9⅝-9⅞ | 9⅝-9⅞ | 9½-9¾ | 9¼-9½ |
| B.Fr.(Con) | [illegible] | [illegible] | 10⅛-10⅞ | 10⅛-11 | 10⅛-11 | 9⅞-10¼ |
| Yen | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| D. Krone | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Asian $ (Sng) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Long-term Eurodollars: two years 8⅞-8⅞ per cent; three years 8⅞-9 per cent; four years 9⅛-9⅜ per cent; five years 9⅛-9⅜ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others two days' notice.

## MONEY MARKETS

# Embarrassing rate rise avoided

Dealers found it difficult to buy or sell paper on the London money market last week, because of the high level of rumour and speculation. Volume continued at a good level in the three-month sterling contract on Liffe, but the cash market suffered from the general air of uncertainty about interest rates.

Short-term rates rose on Monday, on disappointment at the inconclusive outcome to the Group of Five meeting in London at the weekend. Falling oil prices, the weakness of sterling, and the growing political problems of the Government put further pressures on rates, and within a short time the money market was expecting a rise of at least 1 per cent to 13½ per cent in base rates.

This would have been rather embarrassing for the authorities however, since almost £2bn had just been lent to the market at 12½ per cent, and existing official intervention rates. The final tranche of £490m, through a gilt repurchase agreement, was only paid to the banks on Wednesday, while Mrs Thatcher was becoming heavily embroiled in the Westland tangle on Thursday, and would hardly have welcomed another rise in base rates.

On Friday morning the pressure for higher rates eased slightly, but the market was not convinced that the Bank of England could continue to hold the line. At the weekly Treasury bill tender the discount houses bid for bills at market rates, which were well above official intervention rates, and the Bank of England refused to sell any bills to the market, for the first time since March 1968, when the gold standard of $35 an ounce was about to collapse, heralding the era of free gold markets and eventually floating exchange rates.

UK clearing banks base lending rate 12½ per cent since January 9

### NEW YORK

(4 pm)

| | |
|---|---|
| Prime rate | 9½ |
| Broker loan rate | 9 |
| Fed funds | [illegible] |
| Fed funds at intervention | [illegible] |

**Treasury Bills & Bonds**

| | |
|---|---|
| One month | 6.74 |
| Two month | 6.96 |
| Three month | 7.16 |
| Six month | 7.44 |
| One year | 7.66 |
| Two year | 8.14 |
| Three year | 8.36 |
| Four year | 8.53 |
| Five year | 8.72 |
| Seven year | 9.04 |
| 10 year | 9.29 |
| 30 year | 9.42 |

### BANK OF ENGLAND TREASURY BILL TENDER

| | Jan. 24 | Jan. 17 | | Jan. 24 | Jan. 17 |
|---|---|---|---|---|---|
| Bills on offer | — | £100m | Top Accepted rate of discount | — | 12.2135% |
| Total of applications | — | £326m | Average rate of discount | — | 12.1957% |
| Total allocated | — | £100m | Average yield | — | 12.66% |
| Minimum accepted bid | — | £96.955 | Amount on offer at next tender | — | £100m |
| Allotment at minimum level | — | 1% | | | |

### WEEKLY CHANGE IN WORLD INTEREST RATES

| | Jan. 24 | change | | Jan. 24 | change |
|---|---|---|---|---|---|
| LONDON | | | NEW YORK | | |
| Base rates | 12½ | Unch'd | Prime rates | 9½ | Unch'd |
| 7 day Interbank | 11 | −1 | Federal funds | 7¾ | Unch'd |
| 3mth Interbank | 13⅛ | +⅛ | 3 Mth. Treasury Bills | 7.15 | −0.19 |
| Treasury Bill Tender | — | — | 6 Mth. Treasury Bills | 7.46 | −0.14 |
| Band 1 Bills | 12⅛ | Unch'd | 3 Mth. C D | 7.90 | +0.05 |
| Band 2 Bills | 12⅛ | Unch'd | FRANKFURT | | |
| Band 3 Bills | 12⅛ | Unch'd | Lombard | 5.5 | Unch'd |
| Band 4 Bills | 12⅛ | Unch'd | One Mth. Interbank | 4.675 | −0.05 |
| 3 Mth. Treasury Bills | 12⅞ | +⅛ | Three month | 4.625 | Unch'd |
| 1 Mth. Bank Bills | 12⅞ | +⅛ | PARIS | | |
| 3 Mth. Bank Bills | 12⅞ | +⅛ | Intervention Rate | 8¾ | Unch'd |
| TOKYO | | | One Mth. Interbank | 9⅞ | Unch'd |
| One month Bills | 6.96875 | −0.125 | Three month | [illegible] | [illegible] |
| Three month Bills | 7.09375 | Unch'd | MILAN | | |
| BRUSSELS | | | One month | 18 | +⅛ |
| One month | 9⅛ | −⅛ | Three month | 15⅞ | +⅛ |
| Three month | 9⅛ | −⅛ | DUBLIN | | |
| AMSTERDAM | | | One month | 10⅛ | Unch'd |
| One month | 5⅞ | Unch'd | Three month | 12 | Unch'd |
| Three month | 5⅞ | Unch'd | | | |

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.
* Base intervention rates unchanged. Bank of England bought some bills at selected higher rates during the week.

### MONEY RATES

| Jan. 24 | Over night | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 4.5-4.6 | 4.50-4.75 | 4.50-4.65 | 4.55-4.70 | 4.55-4.70 | 5.5 |
| Paris | 9¼ | 9⅞-9⅛ | 9⅞-9⅛ | 9⅞-9⅛ | 9⅞-9⅛ | 8¾ |
| Zurich | [illegible] | 4¼-4⅜ | — | 4⅛-4⅛ | 4⅛-4⅛ | — |
| Amsterdam | 5⅛-5⅛ | 5⅛-5⅞ | — | 5⅛-5⅛ | — | — |
| Tokyo | 6.84375 | 6.96875 | — | 7.09375 | — | — |
| Milan | 15⅛-16 | 16-16⅛ | — | 15⅛-16⅛ | — | — |
| Brussels | 7.15 | 9⅛-9⅛ | — | 9⅛-9⅛ | — | — |
| Dublin | 6-8⅛ | 10⅛-10⅞ | 11⅛-11⅛ | 11⅛-11⅛ | 12-12⅛ | — |

### FT LONDON INTERBANK FIXING

(11.00 a.m. Jan. 24)

| Three months U.S. dollars | | Six months U.S. dollars | |
|---|---|---|---|
| bid 8 1/16 | offer 8 5/16 | bid 8 1/16 | offer 8 5/16 |

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### LONDON MONEY RATES

| Jan. 24 | Over night | 7 days notice | Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank | 5-11¼ | 10¾-12 | [illegible] | [illegible] | [illegible] | [illegible] |
| Sterling CDs | — | — | [illegible] | [illegible] | [illegible] | [illegible] |
| Local Authority Deps. | 10¼-12 | 12-12¼ | [illegible] | [illegible] | [illegible] | [illegible] |
| Local Author'ty Bonds | — | — | [illegible] | [illegible] | [illegible] | [illegible] |
| Discount Mkt Depos | 7-10¼ | 11 | [illegible] | [illegible] | — | — |
| Company Depos | 10¼-11¾ | 11¾-12¼ | [illegible] | [illegible] | [illegible] | [illegible] |
| Finance House Depos | — | — | [illegible] | [illegible] | [illegible] | [illegible] |
| Treasury Bills (Buy) | — | — | — | [illegible] | — | — |
| Bank Bills (Buy) | — | — | [illegible] | [illegible] | [illegible] | — |
| Fine Trade Bills (Buy) | — | — | [illegible] | [illegible] | [illegible] | — |
| Dollar CDs | — | — | [illegible] | [illegible] | [illegible] | [illegible] |
| SDR Linked Depos | — | — | [illegible] | [illegible] | [illegible] | [illegible] |
| ECU Depos | — | — | [illegible] | [illegible] | [illegible] | [illegible] |

Treasury Bills (sell): one-month 12⅞ per cent; three months 12⅞ per cent. Bank Bills (sell): one-month 12⅞ per cent; three months 12⅞ per cent. Treasury Bills: Average tender rate of discount — per cent. ECGD Fixed Finance Scheme IV reference date December 4 to January 7 (inclusive): 11.538 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from January 1 1986. Bank Deposit Rates for sums at seven days' notice 6⅛-6⅛ per cent. Certificates of Tax Deposits (Series 6). Deposits £100,000 and over held under one month 12 per cent; one-three months 12½ per cent; three-six months 12½ per cent; six-nine months 12½ per cent; nine-12 months 12½ per cent. Under £100,000 11½ per cent from January 14. Deposits held under Series 5 11½ per cent. Deposits withdrawn for cash 7½ per cent.





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SECTION III

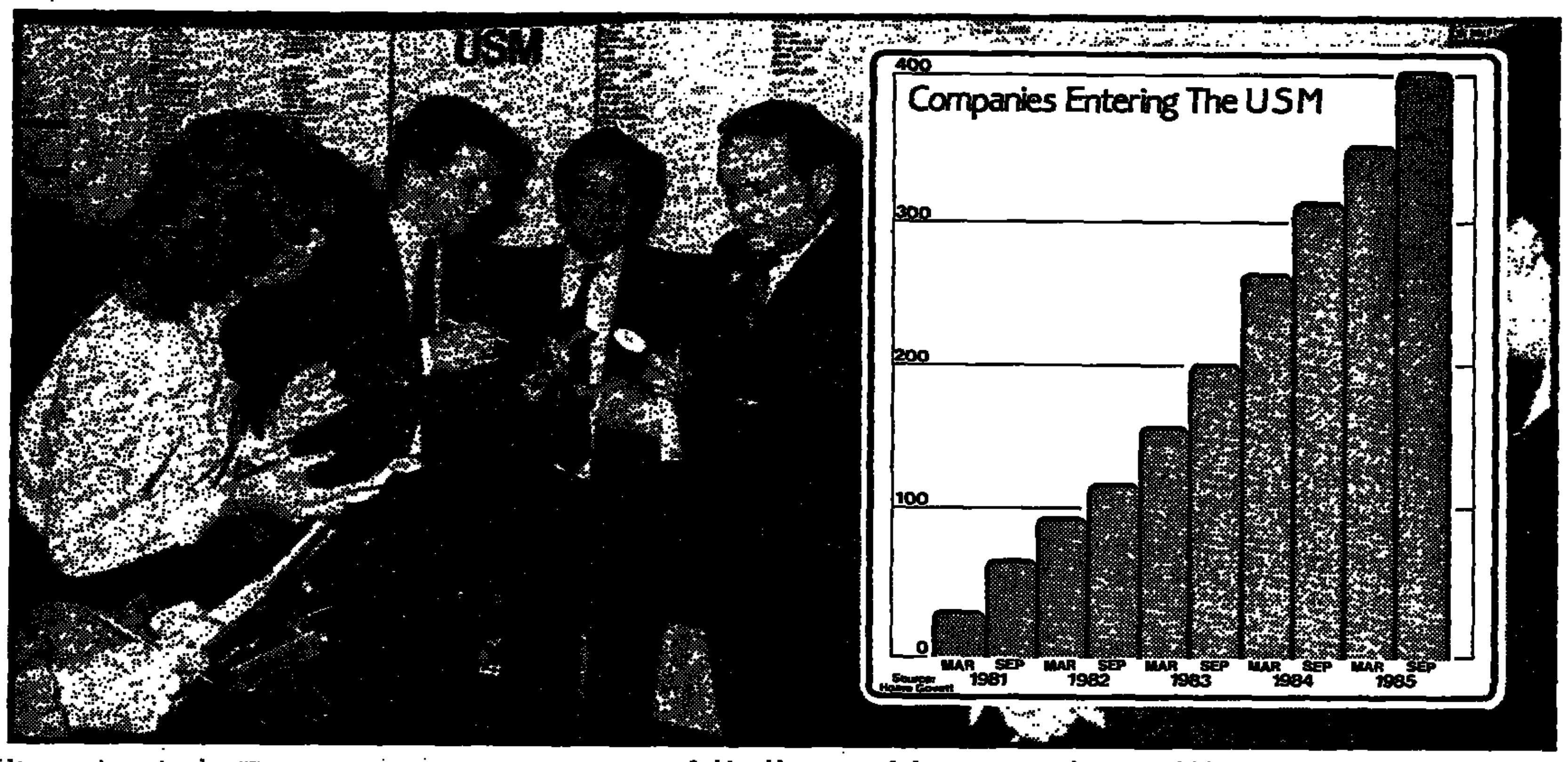
# FINANCIAL TIMES SURVEY

# Unlisted Securities Market

The pace of USM entry shows no signs of slackening and the diversity of business among those seeking a listing also bears witness to the strength the market has achieved

## Rapid rise to maturity

**By Lucy Kellaway**




MATURITY is the word most commonly heard in the City to describe the Unlisted Securities Market as it enters its sixth year.

In its early days the market, which provides smaller companies with a source of equity capital and the opportunity to trade in their shares, was crowded with speculative oil exploration stocks and young high-tech companies, not all of which were of the highest investment quality. But since then the USM has grown up in all sorts of ways, the most obvious being its size.

During 1985 the number of companies quoted passed the 300 mark for the first time, and by the beginning of this year the market consisted of more than 340 companies with a combined worth of £3.5bn. At end of 1984 the head count was 270 and the capitalisation £2.9bn.

Three years ago most observers were predicting that the pace of USM entrants would have slackened by now, because most of those companies suitable and willing would have already secured their place on the market. This has not happened—last year about 100 companies joined the market, fractionally more than in 1984.

There is no evidence that the quality of entrants is falling—indeed quite the reverse. There have only been two major disappointments in the past year: Sapphire Petroleum, the unpopularity of which was chiefly due to investors' general aversion to risky oil companies, and Consolidated Tern, a Welsh property company where the commercial development programme fell behind schedule.

Meanwhile, the two most popular issues of the year were Cannon Street Investments — a casualty of the secondary banking crisis it returned to the market in July, with interests in laboratory equipment, Christmas hampers and plastic flower pots — and Bluebird Toys, the shares of which have been as popular with investors as its Big Yellow Teapot is with children.

The variety of the newcomers also speaks for the market's maturity. The USM's old dependence on oil and high-tech companies has gone, with less than a fifth of the latest entrants coming from these sectors. The market now attracts a wider spread of businesses, the interests of which include the likes of building, wallpaper, videos, restaurants, insurance and plastic plumbing.

Some patterns are emerging from the mixed bag of newcomers — in recent months the market has had a particularly large helping of food companies and an onslaught of peoples' businesses, creating two thriving USM sub-sectors.

The USM ceased to be a stags' paradise long ago, when immodest profits were almost guaranteed by buying any new issue. On the evidence of recent USM flotations, sponsors are getting better at pricing issues, while investors are becoming more careful in making their assessments of newcomers.

Among the 1985 entrant crop, a quarter attained a premium of over 15 per cent above the issue price after the first day of dealings. A similar number achieved such a small premium that the stag would have made a loss after paying his dealing expenses.

The outcome that sponsors aim for — a modest premium of between 5 and 15 per cent —was managed by one-third of last year's new issues, while the sponsors' nightmare — that the shares open at a discount to the issue price — came true for 12 per cent of the companies.

There is now little — if any — extra value attached to a company just because its shares are quoted on the USM. Average ratings have fallen to a level more or less on a par with those of the main market. Price earnings multiples on USM new issues of more than 17 have become something of a rarity, and multiples of over 20 almost unheard of.

*However, a select and* glamorous few can still hope to command giddy multiples on *joining the market. FKB, for* example, a sales promotion company which belongs in the most fashionable corner of the trendy peoples' business industry, was floated successfully in July on a p/e ratio of 25.

Perhaps the most welcome fact of 1985 on the USM has been that companies are putting the market to better use than before: raising more money to expand their businesses, and making greater use of their shares for acquisitions.

Of the £200m raised by USM entrants last year, only £90m went into the pockets of existing shareholders, a lower percentage than in previous years. *Meanwhile, USM companies had* more rights issues than ever before, raising a record £118m *against £67m in 1984.*

Just as encouraging has been the spate of corporate activity on the market. *USM companies* made more than sixty acquisitions last year, many of which *were for shares. In total, one in* every five USM companies has at some stage made use of its paper to make an acquisition.

One welcome effect of these trends has been to increase the market's free capital—that portion of the equity that is freely traded and not held by the company's directors.

At the end of last year, the amount of free capital was £1.3bn, nearly 40 per cent of the market's total capitalisation, *six percentage points above that* in 1984.

The takeover craze has also *manifested itself in an unprece*dented large number of USM companies being taken over. *Indeed, of the 26 companies which* left the market last year, more than half were carried away in *the shopping baskets of larger* groups. These numbers exclude a further dozen USM companies which were *taken over last* year, but whose quotes on the USM have not yet been *cancelled.*

In the meantime, the pace of companies moving up to the main market has slowed, although this has mainly been a reaction to the "Yellow Book" which caused a dash for a full listing at the end of 1984 before its new regulations took effect.

Good for companies, perhaps, the USM is still not proving the happiest of places for investors. While USM jobbers report rising turnover in the market as a whole, the prices of individual shares remain alarmingly volatile, and 20 per cent price movements in the space of a week are not uncommon.

Companies are still able to shock the market into wiping up to 50 per cent off their market values by producing horrific results unexpectedly.

Microvitec and Fergabrook were among this year's shock

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**Contents**

# Unlisted Securities Market 2

## Criticism as expenses increase

### The Costs of Entry

LUCY KELLAWAY

**Some companies claim to have been pressurised into using costly City firms when local advisers would have done the job equally well. Even those that do not take this line are becoming less complacent about the quality of services offered.**

THE issue of USM entry costs is an emotional one. One of the main purposes of the USM was to create a market with entry costs low enough not to deter smaller companies from joining. Therefore each time costs are perceived to be rising, there is angry outcry.

After a brief period of stability, however, USM costs are on the increase again, rising at a faster rate than inflation. In a recent study of the market, Touche Ross, accountants, calculate that average USM entry costs rose by about 13 per cent last year, a real increase of about 5 per cent.

Costs as a proportion of the size of the company have also been rising. In the second half of last year companies paid on average 2.5 per cent of their market capitalisation in flotation expenses, compared to 2.3 per cent paid by those which joined the market in the first half of the year.

The increase in costs does not necessarily mean that professional advisers are charging more for the same services. Anecdotal evidence suggests that fewer flotations are being done by local firms of solicitors and accountants, and that City firms are getting an increasing share of the business.

This trend, and the accompanying rise in entry costs has been strongly criticised by some USM companies which claim to have been pressurised into using expensive City firms when local ones could have done the job equally well. The old boy network in the City is so strong, it is claimed, that any company that does not come to market with a list of established firms among its advisers may be penalised as a result.

While most companies do not take such a strong line, they are becoming on average less complacent about the quality of the job done by their professional advisers. According to a survey by Spicer and Pegler on the USM, the number of companies which claimed to be "very satisfied" by the job done by their sponsoring broker was only 34 per cent, compared to 59 per cent of those surveyed in 1983. The number which said that they were dissatisfied with their broker has risen over the last two years from 8 per cent to 9 per cent.

Some of the reason for the unrest may be costs. The survey concluded that over 40 per cent of the companies found that these were "significantly higher" than broker's initial estimates. This seems to have been more of a bone of contention than the price that the broker fixes for the shares.

The number of companies horrified at the low price at which their company was floated has fallen from 15 to about 6 per cent of the total. Nearly 90 per cent of those asked were satisfied that the shares had been sold at about the right price.

While it is still cheaper to join the USM than the main market, the gap may be narrowing somewhat. Assuming that the same amount of money is raised, costs of getting a full listing are about one third higher than costs of joining the USM. An average full offer for sale, in which the company raises £2.5m, might cost about £320,000 on the main market, against around £250,000 on the USM.

How much any company pays depends on a variety of factors. To date, the most expensive flotation has been Synterials, which paid £1.5m to raise a record £20m on the USM, while Merrydown Wines secured a place on the market for a mere £3,000.

Such cases are exceptions, however. In general, a company joining by the cheapest route of an introduction (whereby no new money is raised, and when at least 10 per cent of the equity is already in public hands) could expect to pay between £50,000 and £100,000.

The middle route, taken by the majority of USM entrants, is a placing, possible when the value of a company is less than £15m, and when less than £3m is to be raised. A placing currently costs between £120,000 and £200,000.

A full public offer for sale is the most expensive route to a USM flotation, and would be likely to cost between £190,000 and £320,000 for a company raising about £3m.

There are two main reasons for the additional expense of the offer-for-sale method—advertising, and underwriting. The cost of underwriting the issue is usually about 1¼ to 1½ per cent of the money raised, while the cost of advertising a full prospectus in a national newspaper is around £50,000.

Entry costs also vary enormously depending on who the sponsor is. Hiring a merchant bank as well as a stockbroker will increase the charge somewhat (perhaps by about £25,000), and is probably not a justifiable expense for smaller companies not planning to make acquisitions.

County Bank, one of the most active merchant banks on the USM, argues that hiring a merchant bank may not be as expensive as is often made out. It claims the costs as a percentage of market capitalisation of the companies that it has brought to market have on average been slightly lower than the costs charged by some of the USM's leading stockbrokers.

Such a comparison may be slightly misleading, however, because the companies employing a merchant bank tend to be larger than average, and one would therefore expect costs as a percentage of capitalisation to be lower.

Even if a company decides to shun the services of a merchant bank, there may still be a huge variation in the changes quoted by stockbrokers. For instance, Gibbon Lyons, a small printing ink manufacturer, which joined the market last year, conducted a "beauty parade" getting various brokers to bid for the business. The costs ranged from £50,000 to £120,000. The company plumped for the lowest estimate and claims to have been satisfied by the service given.

**Comparative costs**

Between full offer for sale raising £2.5m, and a £1.5m USM placing.

Costs in £'000s

| | FULL LISTING | USM |
|---|---|---|
| Sponsor | 40- 60 | 25- 50 |
| Reporting accountant | 30- 50 | 25- 50 |
| Solicitor | 25- 50 | 20- 40 |
| Commission | 50 | 8 |
| Professional fees total | 146-210 | 78-148 |
| Advertising | 110 | 3 |
| Printing | 20- 25 | 12- 15 |
| Stock Exchange fee | 4 | 1 |
| Share registration | 11 | 1- 3 |
| Grand total | 290-370 | 95-170 |

Source: Arthur Andersen

## Rapid rise to market maturity

CONTINUED FROM PAGE ONE

disappointments. While some accidents are to be expected in a market that is as poorly researched as the USM, many of its companies still aggravate such tumbles by failing to give their advisors early warning when trading takes a sharp turn for the worse.

While some companies have plunged (last year 47 shares fell by more than half), and others have flown (14 companies saw their shares rise by more than 100 per cent), the market as a whole ended the year only 2 per cent higher than at the outset. From a starting value of 112, the Datastream USM index had struggled up to only 115 by the end of the year, while the main market rose by around 15 per cent.

The USM's true performance, however, is not quite as disheartening as the movement of its index implies. Had it not been for the calamity that befell the electronics sector, the picture would have looked quite different. Hoare Govett has calculated that by stripping out all electronics shares, the index advanced last year by about 16 per cent — a fairly encouraging result.

The collapse of electronics shares was, nevertheless, a major feature of the year on both the USM and the main market. What by the end of 1984 seemed to have been a mishap in the home computer market, triggering a minor rethink about most of the extravagantly rated high-tech stocks, by last year became a major downward move that affected nearly every stock in the sector.

USM electronics stocks, which started from higher ratings had further to fall, and the USM electronics sector fell by nearly 50 per cent, while the sector on the main market dropped by only 28 per cent. A great succession of USM companies including CPU, Cifer, CPS, Zygal and many others, all disgraced themselves by producing awful results.

The effect of the high-tech fallout has been to lessen the USM's dependence on electronics stocks. Their share of the market fell from more than 20 per cent to under 10 per cent during 1985.

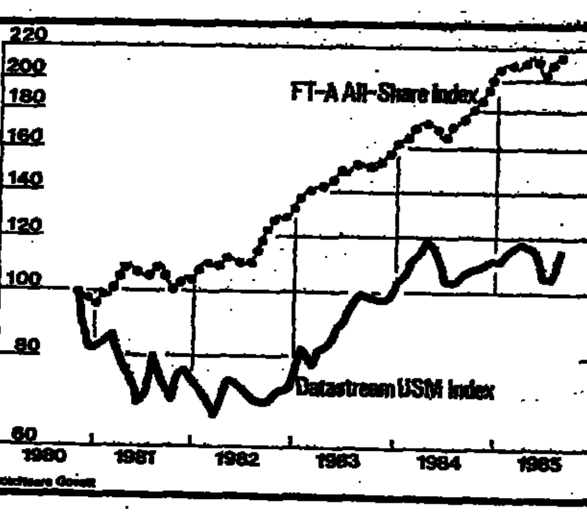
Although the USM index ended the year little changed, its passage was anything but smooth. As has become its pattern, the main market fell steeply in the early summer months, dragging the USM down in its wake. While one would expect the USM to fare worse during a weak patch than the main market, a 20 per cent fall between the months of May and July in the USM index made the drop on the main market look like a hiccup.

The USM's early critics used to argue that the market would be wiped out at the onset of the first great bear market. While few hold that view now, the USM's resilience has yet to be put to a major test.

It is not the prospect of a bear market, however, that clouds the horizon for the USM over the next 12 months, so much as the impending City Revolution. While there has been much agitating over the likely effect of Big Bang on the USM, nobody really knows what to expect.

The main worry is that scrapping minimum commissions and introducing dual capacity dealing will concentrate market resources on larger companies, making dealings in shares of smaller ones—never liquid at the best of times—dry up altogether. Alarmists think such a prospect will put off institutions from investing in the USM, leading to a fall in prices and detering companies from joining the market.

Others take a far more sanguine view. They argue that, with most of the large share transactions already being matched by the sponsoring broker, and a small role already being played by the jobber, the effect of Big Bang may not be that revolutionary.



## Money Raised by USM Issues

| | | Raised on Entry: For Shareholders £m | Raised on Entry: For Company £m | £m | Raised by Rights £m | £m |
|---|---|---|---|---|---|---|
| 1980 | Q4 | 6.2 | 4.8 | 11.0 | — | 11.0 |
| 1981 | Q1 | 0.8 | 1.4 | 2.2 | — | 2.2 |
| | Q2 | 12.2 | 13.5 | 25.7 | — | 25.7 |
| | Q3 | 6.6 | 5.2 | 11.8 | 5.6 | 17.4 |
| | Q4 | 5.7 | 22.6 | 28.3 | 0.6 | 28.9 |
| 1982 | Q1 | 2.0 | 4.1 | 6.1 | 28.1 | 34.2 |
| | Q2 | 10.8 | 1.1 | 11.9 | — | 11.9 |
| | Q3 | 15.1 | 20.3 | 35.4 | 1.6 | 37.0 |
| | Q4 | 9.5 | 13.3 | 22.8 | 7.8 | 30.6 |
| 1983 | Q1 | 1.6 | 7.0 | 8.6 | 3.0 | 11.6 |
| | Q2 | 36.9 | 31.5 | 68.4 | 14.8 | 83.2 |
| | Q3 | 13.3 | 35.6 | 48.9 | 7.1 | 56.0 |
| | Q4 | 27.0 | 32.7 | 59.7 | 29.1 | 88.8 |
| 1984 | Q1 | 21.9 | 25.1 | 47.0 | 15.0 | 62.0 |
| | Q2 | 18.3 | 35.8 | 54.1 | 15.2 | 69.3 |
| | Q3 | 15.8 | 11.4 | 27.2 | 9.7 | 36.9 |
| | Q4 | 19.6 | 11.5 | 31.1 | 7.0 | 38.1 |
| 1985 | Q1 | 12.0 | 17.1 | 29.1 | 41.2 | 70.3 |
| | Q2 | 23.8 | 31.3 | 55.1 | 38.4 | 93.5 |
| | Q3 | 21.9 | 30.6 | 52.5 | 21.5 | 74.0 |
| Total | | 281.0 | 355.9 | 636.9 | 245.7 | 882.6 |

*Source: Hoare Govett*

# Highly rated paper and cash build up fuel a bid boom

## Corporate Activity

LUCY KELLAWAY

AN EXTRAORDINARILY large number of takeovers on the main market over the last year has diverted attention from a similar, *albeit quieter, revolution* that has been taking place on the USM.

The flurry of corporate activity is a new experience for the junior market. In 1985 18 companies were taken over, compared with a total of 12 during the market's first four years of existence. Indeed, acquisition has become the most travelled exit route from the USM, while graduation to a full listing takes second place, with only a dozen companies having moved up in as many months.

The USM takeover craze is being driven forward by the same forces fuelling activity on the main market. After three years of strong profit growth coupled with low inflation, companies have amassed large piles of cash. And with the stockmarket pushing forward to record levels, acquisitions can be made cheaply with highly rated shares.

With such ample means at their disposal, companies have been finding that growth by acquisition is one answer to the problem of fading organic growth.

But USM companies have not merely been at the receiving end of bids. The number of them playing the part of aggressor has also risen steeply over the past year — in the first nine months of 1985, USM companies made over 50 acquisitions.

*Many of* these were for shares, vindicating the claim made by many companies on joining the market that one of their main reasons for getting a quote is to provide them with paper for acquisitions. In the USMs first five years more than 70 companies have used their shares to make acquisitions, while about ten have done so three times or more.

*The bulk of* the target companies have been relatively small and privately owned, but a handful have been large enough to swamp the company making the bid.

For example, Fergabrook, a distributor of toys, last May bought Tritrade, *a company* with twice its turnover and about ten times its number of employees.

Swallowing such a huge acquisition turned out not to be easy for Fergabrook. Soon after having bought Tritrade — a *distributor of DIY* and garden products — Fergabrook realised it had paid too much. While it has succeeded in getting back £1m of the £5.4m purchase price, profits this year are not to be hoped for.

Other USM companies have had a far happier experience in pursuing an ambitious acquisitions policy. Two stars on the acquisition trail have been Blue Arrow, the employment agency, and Thermal Scientific.

Thermal Scientific, which makes specialised heat treatment products, has made seven acquisitions since it came to the market in the summer of 1983. It has increased its market capitalisation ten fold.

Blue Arrow, which *last summer* was a modest recruitment agency, worth about £3m, is now the largest agency in the UK, following the *acquisitions of* Reliant and more recently, of Brook Street. These purchases have lifted its market value to more than £40m.

Not all the expanding companies have limited themselves to buying privately owned companies. In the last year there have been four takeovers in which both bidder and target were on the USM. Crown International Productions bought its sister company Capital TV; Hunterprint acquired Formdesign. Garfunkles bought the less successful Strikes chain of restaurants, while peoples businesses, Addison Communications and Michael Page merged to form the largest marketing group on the USM.

Some USM companies have even set their sights on main market companies. The most daring approach so far was the recently thwarted bid by property company Clayform for the larger and fully listed department stores group, Owen Owen.

Such drama is very unusual on the USM. One of the characteristics of USM takeovers is the good grace with which they are conducted. Clearly, when a USM company is bid for the question of a contested takeover bid almost never arises as the founders of the company typically own more than 50 per cent of the shares.

It is only among the oil companies, the shares of which tend to be more widely held, that *blows have been exchanged in* takeover battle. The two most dramatic have been the £120m takeover of Saxon Oil, the *largest bid that the USM has* seen, and the wrangle for control of Petrolex. Saxon had agreed a merger with Charter*house Petroleum, when at the* last minute Enterprise Oil emerged with a higher, and victorious bid. Petrolex was first bid for by Clyde Petroleum and subsequently by Saxon Oil, both of which were later trumped by Aaran Energy, whose £16m bid was accepted in June.

Oil mergers have been the most common as well as the most traumatic of USM takeovers. There have been two reasons for this. One is tax (spending on exploration is wasted unless there is a stream of production income against which it can be offset) and the other is rising exploration costs and the escalating size of drilling projects which make it more difficult for smaller companies to hold their own against larger ones.

In addition to Saxon and Petrolex, Candecca Resources, CCP North Sea Associates and Hadson Petroleum have all been incorporated into larger oil groupings.

Other USM takeovers have *fallen into three broad* categories: companies which have discovered a niche market and developed it to the point where they could benefit from a supportive parent; companies in need *of* rescuing, and those which are bid for by majority shareholders in an attempt to rationalise their shareholdings.

A typical example of the first type is Morgan Communications, which *built up a thriving free* sheet newspaper business that was bought last August by Reed International for £10m, more *than twice* the price at which it came to the USM a year earlier.

In the rescue category belongs *the bid for Applied* Botanics, which badly missed the profits forecast made at the time of its flotation in 1981 and has since *plunged* into deepening losses. A bid from REA values Applied Botanics' shares at 1½p each compared to last year's high of 24p.

Other rescues have taken the form of a disguised rights issue. The purchasers of Breville Europe, a once successful seller of toasted sandwich makers, and Synterials, a start up venture that never managed to get its synthetic replacement for injection moulding off the ground, were motivated more by the target's large piles of cash than by the merits of its business.

Other takeovers, while scarcely rescue attempts, have been brought about by poor—or at least unadventurous—management of the target company. F. H. Tomkins, expert in the art of buying companies and shaking them up, last year turned its attention to the USM and bought Hayters, a sleepy maker of lawnmowers. Tomkins paid *only slightly* more than the £3.5m at which Hayters came to the market in 1981.

Clean up bids have included *the Crown International* and Capital TV merger, the bid by Polly Peck for Cornell, and most recently a bid by Hawley for the *shares that it does not* already hold in home improvements group, Kean and Scott.

# Fewer graduates from the nursery last year

## Moving to a Full Listing

RICHARD TOMKINS

WHEN the USM was founded in 1980, its prime function was to act as a market for the securities of companies which found the requirements of the main market too onerous.

A decision to opt for a quotation on the USM was not, however, intended to be final: it was always envisaged that one of the junior market's other main functions would be to act as a nursery for companies destined one day to find their way to the stock market proper.

It would be reasonable to expect, then, that as companies on the USM grew in number and gained in maturity, the rate of transition to the main market would gradually increase.

*To some* extent, *this* has happened. Until the end of 1981, there were no transitions at all; in 1982 there were seven; in 1983 there were 10; and in 1984 there was a sharp rise to 25. In 1985, however, there was a hiccup, and the number fell *back to* 10.

The single most important reason for the apparent reluctance of USM companies to make the move to the big board in 1985 was the introduction on January 1 last year of the Stock Exchange's new yellow book, which contains the rules on admission to listing for companies entering the main market.

The rule changes were introduced as a result of an EEC initiative aimed at harmonising the treatment of companies on the various EEC stock exchanges. They were not aimed specifically at USM companies, but at all companies joining first-tier markets, whatever their origin.

The chief practical change affecting potential USM graduates was that companies had to publish full listing particulars before going to the main market.

This meant that they had to provide information which would allow investors and their advisors to make an informed assessment of assets and liabilities, profits and losses, and the issuer's financial position and prospects.

There also had to be statements relating to working capital, borrowings, and a reference to the company's development in the current year, all of which had to be approved in writing by the Stock Exchange's quotations committee.

These were not particularly onerous requirements since USM companies could be expected to have all this information readily available.

However, another requirement introduced was that all companies seeking a listing should produce a five-year accountant's report, and that the listing particulars should be reproduced in full either in a brochure or in a daily newspaper.

In the light of the Stock Exchange's willingness to see the USM acting as a staging post for companies on their way to the main market, it never appeared likely that it would be a party to throwing unnecessary bureaucracy in the path of would-be graduates: and in fact it has shown itself to be flexible in applying the new rules.

For example, if a company has met the disclosure requirements on coming to the USM and complied with them fully since, the Stock Exchange is reasonably relaxed about the five-year accountant's report; and where companies are transferring from USM to main market without issuing any new shares—that is, through an introduction—the publication of a full prospectus is not regarded as necessary.

**The Stock Exchange yellow book has been the main reason for reluctance to make the move to the market's big board in 1985**

With hindsight, it can be seen that many of the worst fears about the complexity of the new rules and the increase in costs they would cause were exaggerated.

This realisation, however, came too late to prevent many companies bringing forward their plans to join the main market in order to beat the January 1 deadline.

The result was a bunching of transitions towards the end of 1984 and a gap shortly afterwards: only two transitions took place in the first half of 1985, and these were in May and June.

There are, however, other factors which have helped stem the flow of companies to the main market.

One is the requirement that main market companies have to provide full listing particulars for issues of 10 per cent or more of their equity, which acts as a disincentive to acquisitive companies which might otherwise make the move.

Another is that the USM is now sufficiently well established to have earned respectability in its own right rather than being regarded solely as the main market's poor relation.

Also, as the USM develops in size and breadth, companies are increasingly aware that there is sometimes more merit in being a big fish in a small pond than being a tiddler in a large one.

That said, there are undoubtedly advantages for many companies in making the move. The last two companies to graduate in 1985—Northamber, the computer pheripherals distributor, *and The Berkeley Group, the* up-market property developer—both said their main reason for making the transfer was to add to their prestige.

They also saw the move as a natural concomitant to their companies' growth. Mr David Phillips, Northamber's chairman, said: "We never saw the USM as the be-all and end-all: a move to the main market was always a part of our long-term corporate strategy."

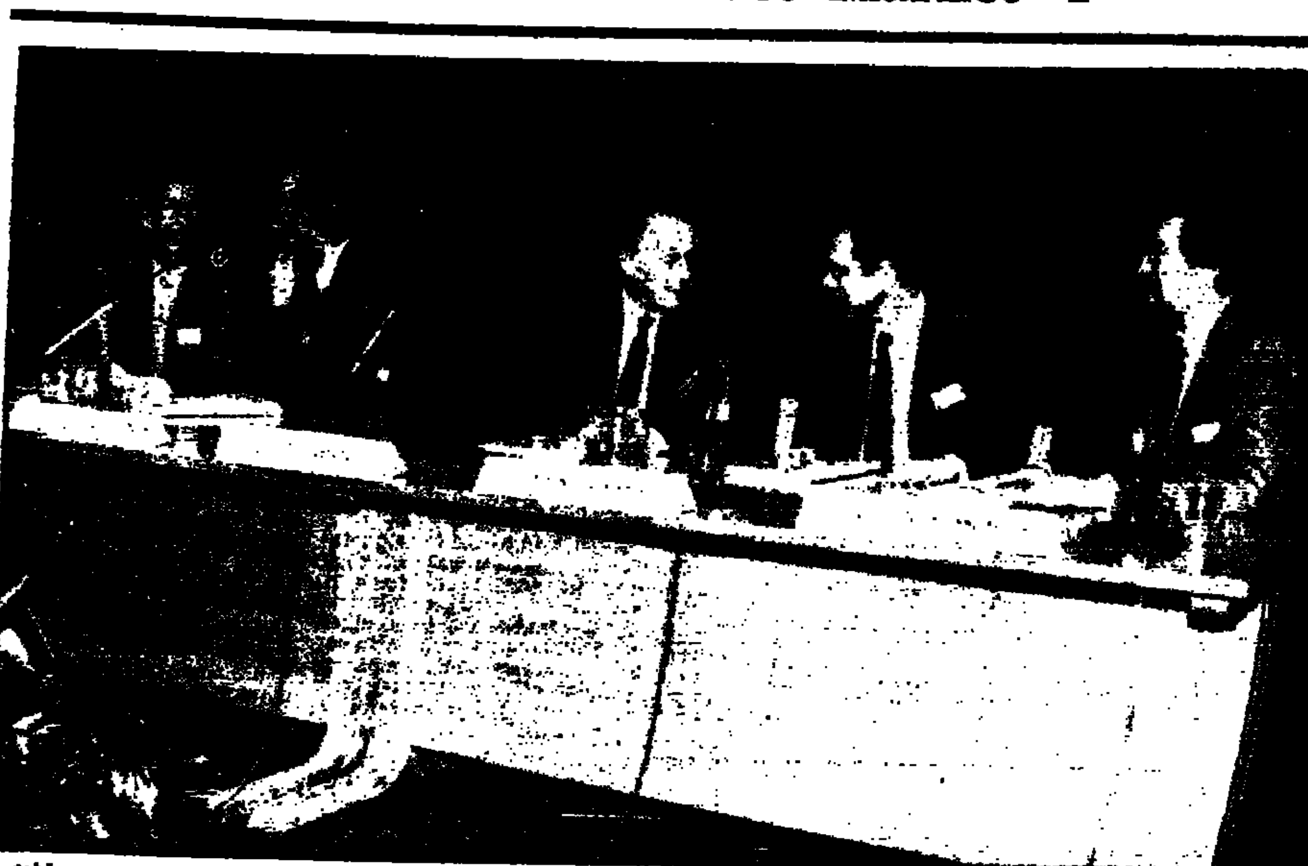
There were other reasons, too. For example, Mr Jim Farrer, Berkeley's chairman, said that when it came to acquisitions he felt Berkeley would be in a better position to raise funds as a fully-listed company.

Northamber's Mr Phillips pointed to the enhancement of his company's status with suppliers. "We are dealing with multinational corporations, and while the fact that the USM is a junior market might not matter in the UK, it may be much more important overseas."

Another significant advantage of going to the main market through the USM is cost. A flotation on the main market can be expected to cost about £500,000, whereas an entry via a placing on the USM and subsequent transfer *to a full listing* through an introduction might cost half as much.

The Stock Exchange would undoubtedly take a harsh view if it were to suspect that the USM was being used merely as a cheap means of entry to the main market, but there is no evidence to suggest that it has yet been abused in this way. Any company tempted to pursue such a course would probably be discouraged by the thought that the cost in management time of this tortuous means of *entry would probably outweigh* the cash savings.

Although the number of companies transferring to the main market fell last year, this exit route remains the most common among companies leaving the USM, accounting for nearly 60 per cent of departures during the market's lifetime. Towards the end of 1985 the rate of transfer picked up again and there seems every likelihood that the previous gradual upward trend will be resumed this year.

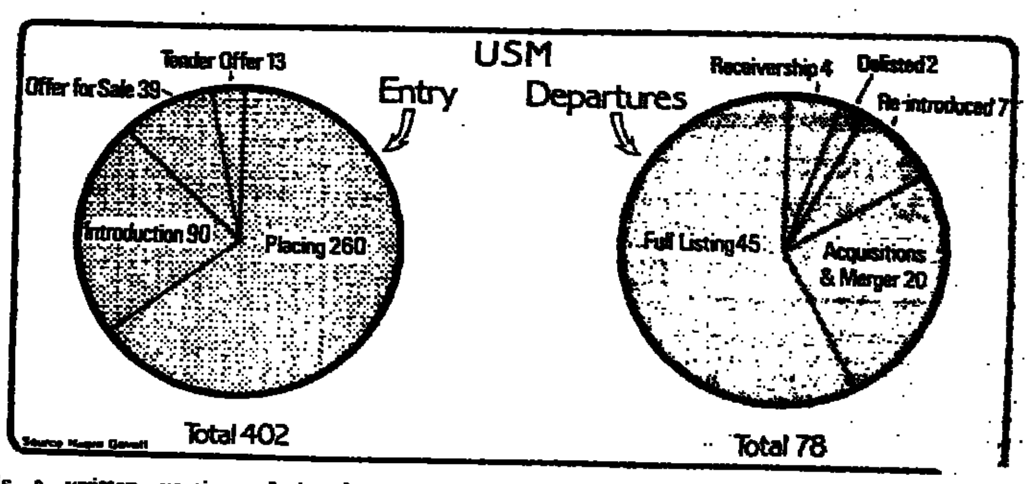


*Top table at a recent seminar held by accountants Spicer and Pegler on research into USM companies. Left to Right: Bob Willott, Spicer and Pegler; Rhod Bradley Jones, Bristol Polytechnic; Eddie Ray, senior partner of Spicer and Pegler; Patrick Harrex, also of Spicer and Pegler, and Roger Hussey of Bristol Polytechnic.*

# Cost justification is deterrent

## Research

RICHARD TOMKINS




ANY stockbroking firm which considers setting up a team of analysts to research the USM is confronted by one fundamental problem: the market's lack of liquidity.

Stockbrokers are not primarily philanthropists and, like most other business people in the City, they can only justify the provision of service if it promises adequate financial returns.

All the larger stockbrokers carry out research into the biggest companies quoted on the main market as an essential adjunct to the buying and selling of shares in those companies on behalf of their clients. The expense of conducting this research is easily justified by the income received in the form of commissions on those transactions.

The USM, however, is a different matter, for the companies whose shares are traded on the market—and the proportion of their shares in public hands—tend to be small.

This means that there is unlikely to be any significant trade in the shares of any but the biggest and fastest moving USM companies and the prospects of a broker being able to justify the costs of research in terms of commission received are, therefore, remote.

This was particularly true in the USM's early days, when there were few companies on the market and there was a degree of uncertainty about how it was going to evolve. As the USM has grown in breadth and size to the point where it is now considered to be mature and well-established, stockbrokers are in a better position to take a considered view about whether they wish to follow it.

It remains the case, however, that most brokers have remained aloof. Some look at the market spasmodically: for example, all brokers will follow those companies which they themselves have brought to the market, and analysts of particular stock market sectors will usually keep a weather eye on developments on the corresponding USM sector. But there are probably only three brokers who can claim to devote resources exclusively to researching USM companies.

The most prominent is Hoare Govett, where a team of four under the leadership of Mr Geoffrey Douglas has been researching the USM since mid-1983.

The core of any research service is, of course, the broker's ability to analyse individual companies and give recommendations on whether their shares represent good value. But as a concomitant to this activity, brokers may offer a range of other services and publications.

The Hoare Govett team is aided in its research efforts by the use of a computer database which is continually updated with a broad range of statistics on USM companies. This not only assists with the analysis of individual companies but also enables the team to look at broader market trends, such as the amount of companies' share capital in public hands, or price/earnings ratios for each sector and the market as a whole.

One of Hoare Govett's achievements has been the annual publication of what is widely regarded as the USM bible: the Unlisted Securities Market Directory. This volume, published every November, reproduces much of the information contained on the database and includes pen portraits of all the companies on the USM together with their vital financial statistics.

Other publications from Hoare Govett's USM team include a weekly newsletter which includes up-to-date prices and other financial statistics on every USM company; the monthly Current Opinions, which summarises the team's comments on a selection of companies in the news; and the occasional USM On Topic, which is a written version of its screen-based information service.

Mr Douglas acknowledges that many brokers have been reluctant to involve themselves in USM research because of the difficulty of justifying the cost in terms of the potential rewards. Hoare Govett, however, is a large broker with a reputation for providing across-the-board coverage, and by 1983 the USM had grown to such size and importance that Hoare Govett felt it was time it offered comprehensive research into the market for its clients.

But in any case, Mr Douglas says, USM research need not necessarily be just a loss-leader for a broker's other services.

"In the City's increasingly competitive environment, brokers are having to look at the range of services they are providing and make sure they have the right products available. If there is a gap in the range of services on offer, and you set out to occupy that gap, it has got to be a good thing."

It is also important to attract small companies which may become the big ones of tomorrow.

"One wants to get involved in growing companies," says Mr Douglas. "If you are a larger broker with a wide range of services and you bring a company to the market, the chances are that you will benefit in the longer term."

This is a point echoed by Miss Isabel Unsworth, the USM researcher at Grieveson Grant, one of the other two specialists in the USM. She points to the fact that brokers which have established themselves as USM specialists are more likely to attract companies coming to the USM as corporate clients.

Grieveson Grant has followed the USM since the market's inception, partly because it was itself responsible for bringing a number of companies to the USM and partly because it felt that as one of the larger brokers this was a service it should offer.

> "In the competitive environment after Big Bang, people are going to be looking beyond the top 200 main market stocks. There could then well be a tendency for brokers to increase research into smaller companies."

As well as the usual research notes on the companies to which it is broker, Grieveson publishes a (slightly irregular) monthly overview of the market which includes comments on new issues and recent results.

Miss Unsworth readily acknowledges that single handed she can hardly hope to follow all 342 stocks on the USM. Therefore a degree of specialisation is inevitable.

"In practice the size of the market means that the coverage cannot be comprehensive, and we tend to put special emphasis on consumer stocks," she says. Grieveson's Mr Malcolm Brown, an oil analyst, also follows USM oil stocks.

The other broker which specialises in the USM is Fielding, Newson-Smith, where Mr Andrew Holland has been following the market since April last year. Fielding's newly emphasised interest in the USM stems partly from the links it has forged with County Bisgood, the stockjobber, in preparation for this year's Big Bang.

County Bisgood is the only stockjobber to make a market in every USM stock, and it seems only natural that it should have a research facility to match this expertise.

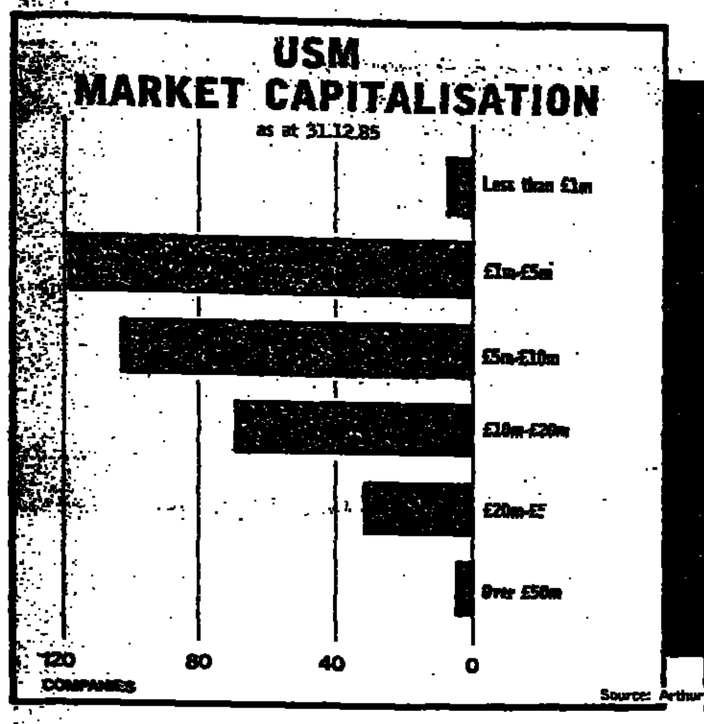
Like Miss Unsworth, Mr Holland recognises that one person is limited in the number of stocks he or she can cover and he follows only 25 comprehensively. Many of these are those which Fielding brought to the market anyway. Fielding's Mr James Dodd, a main market electricals analyst, also takes a specialist interest in USM computer stocks, however.

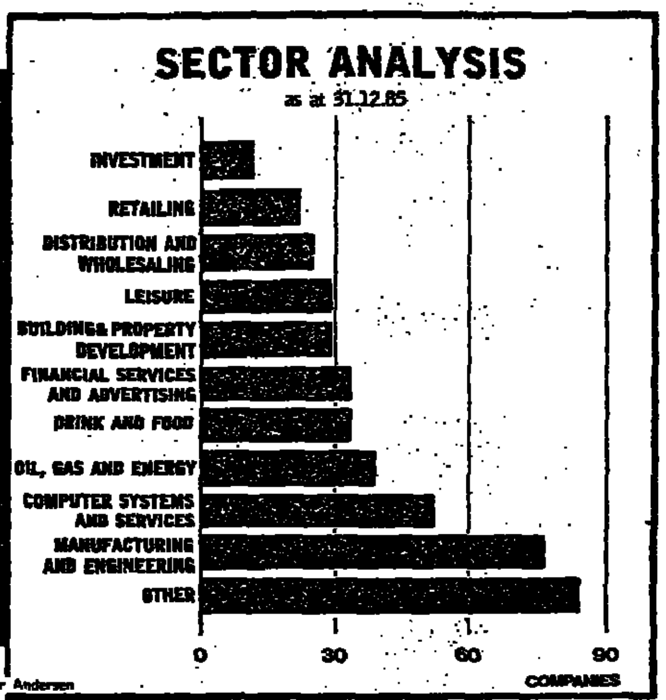
That, then, is the limit of the formalised stockbroker research into the USM, although to some extent the analysis does an injustice to other brokers' efforts. For example, Phillips and Drew, Simon and Coates and other brokers which have brought large numbers of companies to the USM keep a close watch on the market. Capel-Cure Myers also has a small companies research team, the brief of which encompasses the smaller main market stocks and larger USM ones and its monthly Smaller Companies Review includes profiles of USM companies.

How Big Bang will affect the degree of research into the USM is open to speculation and there is a diversity of opinion on the subject. Some observers believe the fragmentation of the market will be such that both dealing and research will be confined to in-house stocks, but Hoare Govett's Mr Douglas is more sanguine.

"I can't believe everyone is going to be fighting over those top 200 main market stocks," he says. "I think that in that competitive environment people are going to be looking for other areas they can occupy and that there could well be a tendency for brokers to increase their research into smaller companies."

# Unlisted Securities Market 5




Source: Arthur Andersen

# Attractions stretch to the US

## Foreign Companies

LUCY KELLAWAY

TUCKED away in Andover, Massachusetts, a silver-haired American businessman has been stealthily and almost *singlehandedly responsible* for one of the USM's latest trends—the surge in the number of US companies joining the market.

Within the space of 12 months, six American companies have come to the USM. All but one of these were advised by Mr Dick Reichter, *president of the Eaton Financial Management Corporation*, which introduced them to their sponsoring brokers in London. In the preceeding four years only three companies took similar steps, with such disastrous consequences as to have *done serious damage* to the image of US companies in the minds of USM investors.

If some investors still feel a knee jerk reaction against any company raising money so far from home, it is not surprising. Fingers were badly burnt on Nimslo, the Bermuda based 3-D camera manufacturer which is *still making losses four years* after joining the market. Chemical Methods, the Californian dishwasher maker, made USM history by offering investors their money back when it emerged that its profits forecast, made at the time of the flotation, would be badly missed. Both shares now stand at a fraction of their issue prices.

Mr Reichter cannot thank these companies for the image *they* have created. The point that he has been trying to get across, both to US companies and to UK investors, is that there are many good reasons why a US company should choose to raise money in Britain.

*It is not as though the US is* without a junior market of its own. Nasdaq, its secondary stock market, is about 75 times the size of the USM with more than 3,800 companies worth about £280bn quoted on it.

However, Nasdaq seems best *suited to the needs of larger* more mature companies, while the huge pools of venture capital that exist in the US cater for the tiny infant companies. Strangely, the special needs of junior and adolescent companies are not well cared for.

A small company with sales *of less than £5m joining Nasdaq* will have to meet much the same requirements as giants like General Motors on the mighty New York Stock Exchange. The Securities and Exchang Commission, the US financial regulatory body, insists that all companies frequently file acres of information, including full quarterly reports, regardless of whether it is relevant or not. In London, the onus is more on the company to produce any information that would have a material effecta on shareholders.

One effect of this is to simplify the process of getting a quotation in the UK, making it faster and cheaper. An American company that wanted to raise about £3m via a USM placing could expect to pay about £300,000, and spend four months preparing for the quote. The same transaction in the US would *typically take more than six* months and cost nearly twice as much.

A further difference between the two systems is that only in the UK *is a company allowed to* come to market with a profits *forecast*. This may be important for a very young company, for whom last year's profits may carry scant information as to what the company is capable of achieving.

If the regulations on the USM are less rigorous than those in the US, should investors fear that only those companies that would not pass muster on Nasdaq find their way onto the USM? The answer is probably not; the simplicity of the UK system does not necessarily make it more open to abuse.

As auditors and brokers must *pin their names and reputations* to the prospectuses of the companies they bring to market, their standing in the market suffers whenever they are involved with indifferent concerns.

> The USM has filled a gap between Nasdaq, the US secondary market, which caters for more mature companies, and the huge pools of venture capital aimed at infant businesses.

So far nearly all of Mr Reichter's proteges have been small high-tech companies. For most of them there has been another powerful reason for preferring the USM to US markets: the USM still (even after this year's shake-out) rates electronics shares more highly than in the US, *where there is* a glut of such companies.

For all these reasons, Mr Reichter has found himself inundated with American companies wishing to join the USM. Clearly not all are suitable, and one of the ways in which he earns his $150,000-$200,000 fee is by carrying out a preliminary survey of the company's business, which he sends to a small handful of London stockbrokers. *If interested these bid for the* business.

In one week alone, Mr Reichter was approached by over 70 companies, and although the great majority could be weeded out at first sight, some lasted the distance. At the moment he claims to have about eight companies poised to join the USM during this year.

However, the investors' appetite for buying shares in US technology companies, especially given the terrible performance of UK technology stocks, may not be enough to ensure successful flotations for all the US *hopefuls*.

Of the six most recent newcomers, half now stand below their issue prices. Part of this is due to the dollar, the decline of which over the past year has clearly blunted the attractions of all US investments.

However, there is also a real problem in how to sustain *investors' interest in the shares* after the flotation. The shares may lapse for no better reason than that investors start to feel out of touch.

This could be the cause of the fall in the price of Infra Red, a small high-tech company making infra red heat detectors. It joined the market in August. Since then its shares have fallen by some 20 per cent, despite having produced interim results in line with the profits forecast.

The most profitable for investors among the recent US entrants has been CVD, which since its flotation at the end of 1984 has put a considerable amount of time into keeping its UK investors happy. Like Infra-Red, CVD also makes infra red materials, and following a 160 *per cent increase in profits last* year, saw its shares touch more than twice their 105p issue price.

The enthusiasm of US companies has not been matched by a similar interest in the USM from Europe. This is partly because most countries have been quick to take the USM's example and develop secondary markets of their own. Since the launch of the USM secondary or tertiary markets have been established in Holland, Sweden, Denmark, France, Japan, West Germany and Norway.

So far only one Continental company has chosen the USM in preference to its domestic market. Investors in Technofan, a maker of cooling fans for aircraft, may not be sorry that the success of France's second *marche* seems to have forestalled French companies from coming to the USM. Since its flotation in 1982, falling airbus sales have had a ruinous effect on both profits and the share price, which from an issue price of £350 slumped last summer to a low of £90.

# No rush to seize opportunity created

## Institutional Attitudes

RICHARD TOMKINS

INSTITUTIONAL investors seem to show a degree of ambivalence in their attitude towards the USM.

On the one hand they have been at the forefront of moves to loosen up the restrictions on the extent to which they can invest in the junior market, but on the other they do not appear to be falling over themselves to take up the investment opportunity they have helped create.

In the market's early days there were severe constraints on some institutions' ability to invest in USM stocks. Such limitations have now been eased, but a straw poll among the institutions suggests that some are cautious about the degree to which they want to become involved.

Unit trusts are a case in point. Until a few years ago they were not permitted to invest more than 5 per cent of the value of any one fund in unquoted securities, but the advent of the USM in 1980 brought about pressure for change and in 1982 the limitation on USM investment was raised to 25 per cent. However, few, if any, funds have exploited this opportunity to the full.

Mr Richard Smith, the director responsible for UK unit trusts at Henderson Administration, the investment management group, tells how Henderson took advantage of the rule change to increase the USM investment limit on its Income and Growth Trust to 25 per cent.

"We have had a toe-hold in the USM since its inception, and when the rules were changed we thought it would be sensible to lift the investment limit on one of our funds, to increase our expertise in that area. But in the event, Income and Growth has never had more than 10 per cent of its funds in the USM.

"Like everyone else, we have been very concerned about the marketability of shares in USM companies. Some of the companies are very good and we make a lot out of them, but we have never gone overboard on USM stocks because very often the sponsoring broker is the only one following them and therefore the quantity of research is very limited.

"The small size of USM companies means that unless you are a very small unit trust you are going to have a terrific number of holdings. If there is only the one broker following each company you are going to have to see the company yourself, or at least its management, and there just is not the time."

"I think the USM plays an important part in augmenting a portfolio, but is not suited to be its mainstay."

Mr Smith is clearly not in a minority among unit trust fund managers, for although the offshore fund loophole exists for those who want to set up funds with a preponderance of USM stocks, only Britannia's Unlisted Securities Market Fund has exploited it.

Investment trusts have also seen a period in which they have been restricted in their ability to invest in unquoted securities. Those formed after 1972 were restricted to an investment of 15 per cent of their funds, a limit which was raised to 25 per cent in 1981, largely because of the advent of the USM.

Trusts formed before 1972 and those which are prepared to accept more onerous reporting requirements face no restrictions: and yet out of all the larger investment trusts there is only one, Ivory and Sime's First Charlotte Asset Trust, which has developed a significant USM holding.

Some indication of why this situation prevails comes from Mr Paul Manduca, a director of Touche Remnant and manager of TR Trustees Corporation, an investment trust specialising in smaller companies.

Mr Manduca says that about 5 per cent of his UK portfolio is in the USM but that he has been shifting away from the market.

"I think the USM was very attractive in 1981-83 when established industries were going through the recession and the decline in traditional manufacturing companies seemed irreversible. At that time people were prepared to accept the high ratings which USM companies were attracting because they seemed to be in the industries of the future."

"Now, as some of those metal-bashing companies have recovered, those USM ratings look very demanding. If anything, USM companies should be at a discount to those on the main market because they offer little in the way of yield and are much more vulnerable to adverse economic trends."

"All sorts of weaknesses are exposed when the market goes against them because they have less fat, less management ability and experience, and get squeezed by large suppliers."

"There are attractive companies on the USM, but small companies on the main market are often a better bet because you are starting with established companies on lower price/earnings ratios, higher yields, and a management which has been through the recession and survived."

Pension funds and insurance companies face no legal constraints on their USM involvement but are subjects to the normal laws of prudence and whatever in-house rules may apply.

Mr Brian Kirkland, assistant director (UK equities) of Prudential Portfolio Managers, says one area of USM activity which he has cut back on is taking quick profits from companies coming to the market.

"We have always looked at the market on a long-term basis, but we have also taken short-term profits when opportunities arose. Those opportunities have virtually disappeared and we are only buying stocks which we see as long-term lockaways."

One of Mr Kirkland's main concerns is about the role of the broker in supporting a company once the initial flurry accompanying its flotation is over.

"Some companies come to the market on undemanding ratings and do reasonably well afterwards, but still their ratings fall away," he says. "What happens is that most of the shares end up in few hands and when other shares come onto the market, it is easier to push them towards existing shareholders than to sell them to a wider market."

"We think brokers ought to make more of an effort to support these companies' shares in the after-market by pointing out their virtues to people who have not already got holdings."

A more optimistic note on the USM generally is sounded by Mr John Stubbs, investment manager (UK equities) at Pos-Tel Investment Management.

Mr Stubbs echoes other institutional managers' worries over lack of marketability, but feels there are gains to be made in the USM because this very lack of liquidity obliges companies to offer higher rates of return.

"After Big Bang I can see this liquidity reducing still further, and the new environment will require more careful research because investors will find themselves locked into situations. But we want a presence in the USM because of its potential for higher returns over a period of time."

"We have maintained our interest in this market because it gives us the opportunity to invest in a number of small and potentially exciting situations which would not otherwise be available to us."

**The severe constraints placed upon USM investment by institutions have been eased. However, the signs are that fund managers are still showing caution as to the degree to which they should become involved**

Profile: BLUE ARROW

By Frank Kane

# Paper chase yields rich rewards

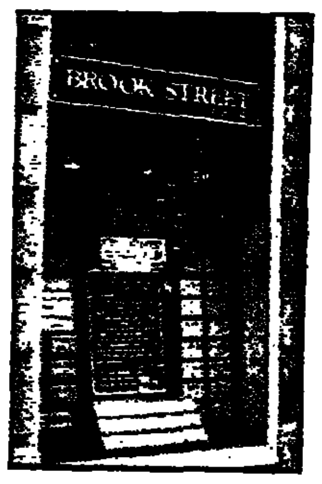
FRUSTRATION AND disappointment were the initial spurs to Blue Arrow's move onto the unlisted market in the summer of 1984. Tony Berry, the company's chairman and chief executive, has just seen his cash offer for a small service company turned down by directors who preferred a rival's paper.

"I went to the lawyer and told him I wanted to go public earlier than I thought," explains 44-year-old Mr Berry. His reaction is a good illustration of the way that Blue Arrow has used USM membership to build up its recruitment and contract service business into the nucleus of a comprehensive service company which, if all goes to plan, will soon offer security, catering and financial services and will more than double turnover by the end of next year.

Mr Berry's 12 years at Brengreen, which he had helped bring to market, taught him the necessity of being able to offer shares as part of any bid, and of the desirability of going for rapid growth via acquisitions rather than through organic expansion.

"I decided that the best way to progress was to use the company's paper to acquire businesses, often private companies that were on the verge of a USM listing themselves. In many ways it was a short cut onto the market for them, and in effect we were offering them a partnership," Mr Berry states.

It is a strategy which Blue Arrow has put to good effect since its flotation, and which has been highlighted by the rapid growth in the company's equity. Market capitalisation at the time of the company's 75p placing was a mere £3.1m, but following last October's master stroke — the £19m acquisition of the prestigious Brook Street Bureau — the company was valued at some £43m. It is now near the £50m mark after steady increases in the share value to around 220p.




Brook Street Bureau. The company was acquired by Blue Arrow for £19m last October. Profits will not be consolidated until next year, when analysts believe the combined group will then have an earnings capacity of around £7m

In the same period the company's marketability has increased sharply. About 18 per cent of the total equity was placed in the original flotation, of which only 10 per cent were new shares. But the paper bonanza since then has meant that there is now 70 per cent of the shares on the market, mostly owned by institutions which have been encouraged by a string of optimistic brokers' reports and, no doubt, by the bullish Mr Berry himself.

In addition to the Brook Street deal, which makes Blue Arrow the leading force in the UK staff recruitment market, with 10 per cent of the sector, last year also saw the £8m purchase of another private employment agency, Reliance Service Group, and Blue Arrow's first venture into the contract cleaning field. It acquired two office and industrial cleaning contractors, both deals being financed by share issues.

The large amount of paper on the market, however, does leave Blue Arrow vulnerable to a possible predator, and there have been rumours, mainly centred on Michael Ashcroft's acquisitive Hawley Group.

So far nothing has materialised, but unlike many other entrepreneurs who have nursed their own corporate "baby" into maturity, Tony Berry does not balk at the prospect. "I've got no hang-ups about that. In any case, with our record the shareholders are not going to throw us out."

The company's record is very good inded. A year ago, in its first results as a public company, it easily beat the prospectus forecast, and this month will have no trouble achieving profits of £1.9m, against £411,000.

In spite of the flood of paper, earnings are moving ahead and for the past year will come out at between 13p and 14p.

All this is without any contribution from Brook Street, which has an annual profit of around £1.8m but which will not be consolidated until next year. The combined group then is well capable of £7m, say the analysts.

It is the prospect for the 1987 year which is the main reason for brokers' confidence. By then the Brook Street integration will be complete and the slimmed down division will be operating at around the margins Blue Arrow expects from the rest of its businesses.

Tony Berry also holds out the tantalising possibility of sales of £300m by then. This represents a more than 100 per cent increase from the present figure, and seems at first glance to be very demanding of the recruitment division. Recruitment currently turns over £65m, with cleaning at roughly £10m and the rest — business travel and financial services — chipping in £5m or so.

Mr Berry, however, forecasts that no more than half of the £300m target will come from employment services — he is adamant that the balance will be made up largely through acquisitions, especially in security, catering and financial services.

The aim is the "total services" group, which can look after all its customers peripheral requirements, from canteen facilities to pensions and insurance.

Recruitment will remain the major bread-winner, however the labour market goes. The trend has been towards temporary rather than permanent placings, following the decline in manufacturing industry and the growth of services.

The service industries make up 70 per cent of all temporary placings, which themselves are expected to account for as much as 80 per cent of the overall recruitment market in the near future.

Blue Arrow has anticipated the trend well, and is in a strong position to benefit from the expected boom in temporary employment. The Conservative Government's relaxation of employment laws has also encouraged temporary working, but Blue Arrow would not be over-concerned about the prospect of a return to Labour — an increase in public sector spending would also be to its benefit.

The sort of expansion foreseen over the next couple of years will take Blue Arrow out of the USM range, and Mr Berry does not hide the fact that he is keen to get a full listing sooner rather than later. The Stock Exchange regulations, which require a five-year record of filed accounts, is the only thing holding him back at the moment. He hints at a statement to accompany the interim results for the current year.

He also points to the advantages which he sees in a full listing — access to greater capital markets for acquisitions, obviously, but also the wider capital base it will bring and the increased coverage by analysts and the financial press.

When the move up does come, he will regard the time spent on the USM as a valuable education. With a relish for the sporting metaphor, he says "the USM is a good way of getting into the big league. If you like, it represents lap one of the race — we're ready for lap two."

# Unlisted Securities Market 7

## Best and Worst Share Price Performances on USM in 1985

| RISES | | | | FALLS | | | |
|---|---|---|---|---|---|---|---|
| Company | % change | Company | % change | Company | % change | Company | % change |
| Parkfield | 347 | United Packaging | 72 | Acorn Computer | 89 | Radio City | 59 |
| Sanger Photographic | 238 | Flogas | 71 | Jebsens Drilling | 86 | Business Computers | 58 |
| Invent Energy | 235† | Havelock Europa | 71 | Spectrum | 85 | Nimslo | 58 |
| JSD Computer | 158 | Blue Arrow | 68 | Memcon | 83* | Monument | 57 |
| Willaire Systems | 157 | Sheraton Secs | 68 | Applied Botanics | 80 | Pineapple Dance | 56 |
| Cannon Street | 131* | Consultants (C & F) | 64 | Xyllyx | 80 | Real Time | 56 |
| Alida Holdings | 129 | Unibond | 63† | CPS Computer | 79 | HB Electronic | 56 |
| EBC Group | 127 | Thermal Scientific | 62 | Castle (GB) | 78 | Air Call | 55 |
| Breville | 125† | City Site Estates | 60† | TDS Circuits | 78 | Bula | 55 |
| Sunleigh | 125 | Brint Investments | 60 | Imtec | 77 | Memnos | 55 |
| Microfilm Reprog | 124 | Saxon Oil | 59† | Entertainmnt Prod Sys | 74 | Ecobric | 54 |
| Bayford Supreme | 116† | Delmar | 59 | Fergabrook | 74 | French Connection | 54 |
| Inn Leisure | 102 | Cramphorn | 58 | Memory | 73 | Norbain | 52 |
| UDO Holdings | 102 | John Kent | 57 | Microvitec | 73 | Paul Michael | 52 |
| Bluebird Toys | 98* | Charlie Brown | 55* | Assoc Energy | 70 | Checkpoint Europe | 52 |
| Berkeley Group | 97† | FII | 55 | Sapphire Petroleum | 70* | Consolidated Tern | 52* |
| Mainmet | 94 | Technical Components | 54* | Compsoft | 69 | Webber Electro | 51 |
| Tops Estates | 92 | Steel Burrill Jones | 54† | Aaronite | 68 | Securiguard | 51 |
| Technofan | 90 | United Ceramic | 53 | Synterials | 67† | SelecTV | 50 |
| Polypipe | 84* | Spectra | 53 | ICC Oil | 64 | Steaua Romana | 50 |
| Body Shop | 80 | Stat-Plus | 53 | Pericom | 63 | Cifer | 50 |
| Trade Promotion Svs | 76 | Trencherwood | 53 | Plasmec | 62 | Petrogen | 50 |
| Slaters Food | 74 | Howard Group | 53* | Intervision Video | 60 | William Bedford | 48* |
| Andre de Brett | 73 | Metal Bulletin | 51 | Denmens Elec | 59 | Powerline | 48 |
| Wm. Sinclair | 72 | Huntleigh Technology | 50* | Clogan Gold Mines | 59 | Ramco Oil Svs | 47 |

* From entry. † To departure. Source: Hoare Govett

# Star performers quickly find themselves out of favour

## Decline of the Electronics Sector

TERRY GARRETT

THE DEVASTATING blood-letting in the electronics sector was even more vicious on the USM than on the main market. High-flying electronics companies had been the star performers of 1983 and for much of 1984, against a comparatively flat showing from fully listed industry cousins. In the second half of 1984, however, share prices started to wilt, turning into a kamikaze-styled nose-dive early in 1985.

On the main market, the electronics sector rates as the worst performing industrial division in share price terms during the last 12 months. But in fact the warning signs were already flashing on the USM well ahead of the shakeout on the "big board." Acorn, a leading name in the home computer market and supplier of the BBC educational micro, ran into financial difficulties towards the end of 1984.

There were many points that were specific to Acorn, it had unsuccessfully driven into the US market and withdrawn at a cost of many millions, but more generally Acorn's problems were the same as its rivals — most notably the unquoted Sinclair—the home computer market had turned sour. Nevertheless, a year ago many investors were willing to believe that this was little more than a temporary aberration in a growth trend.

That was not the case. The difficulties of the home computer sector quickly spread to micros generally and in turn component distributors, some of which found themselves writing-off crippling bad debts against manufacturers. The core problem of the whole electronics sector, which was only just dawning in the early months of 1985, was that overproduction throughout a wide spread of product areas was eroding profit margins.

And this was no temporary hurdle: the giants of the world electronics in Japan and the US were investing heavily in capital equipment. The earnings to justify some exceedingly high p/e ratios awarded to UK manufacturers were simply never going to materialise and share prices of majors such as Racal, STC and Thorn EMI suffered alongside the debacle on the USM sector.

Acorn must rate as one of the real disasters of the USM in its five-year history. Its market capitalisation at issue was £135m and by May 1984 that value had topped £200m. That was before financial chaos struck, and Olivetti had to rescue the company twice within months, ending up with almost 80 per cent of the equity. Acorn's market value at the end of the year was barely £30m with the shares at 40p, standing 650p off the year's high point.

> Given the shake out in electronics, it is perhaps surprising that the USM as a whole did not underperform the main stock market by more than it did last year. Seven of the USM's worst ten performers in 1985 came from the electronics sector.

Yet Acorn is perhaps no more than an excessive example of the change of perception within the City towards high-technology stocks. Investors have come to realise — the painful way — that there are also high risks. All too often last year shareholders faced one disappointment after another.

Figures compiled by brokers Hoare Govett amply demonstrate the fall from favour of electronics. In October 1984 the USM Electronics division comprised 33 companies capitalised at £518m accounting for 18 per cent of the total USM worth. One year later the number of companies had risen to 40 but their market value had slipped to £339m, in total making up just 9 per cent of the USM.

Given the fallout in electronics it is perhaps surprising that the USM as a whole did not underperform the main market more than it did in 1985. Seven out of the ten worst USM performers in 1985 turned out to be electronics/electricals companies.

However, the computer sector is not an out and out battlefield strewn with casualties. Brokers Fielding, Newson-Smith have calculated that if an investor had invested £1,000 in 28 USM computer stocks at the date of flotation that £28,000 would have been worth £34,680 at the end of November, a gain of 24 per cent.

Overall it does not look too bad but it is worth breaking that result down into three component sectors, software and services, distributors and hardware. The £13,000 invested in 13 software companies would have more than doubled in value to £27,362, in spite of some setbacks in recent months, but backing the distributors and hardware companies would have lost the investor money.

The £6,000 invested in distribution would have come down in value to £3,775, a fall of 37 per cent, while £9,000 distributed among the hardware stocks would have dropped in value by 61 per cent to £3,544.

The hardware companies have gone from bad to worse over 1985. The Acorn story is obviously terrible but only one company in Fielding's list of nine has kept pace with the All-Share Index over the last year, the rest showing a dreadful performance. And with the smaller companies coming under increasing pressure from industry leaders such as IBM, the only sensible option would seem to be for the hardware groups to concentrate on niche markets where they can provide value added products.

Picking over the bones of hardware companies may present some opportunity to pick up stocks with recovery potential but for the present, Alphameric sticks out as a safer — although not cheap — play. The company has made its mark manufacturing custom-made keypads and terminals and its recent success is based on its shift from being a basic manufacturer to a systems engineer.

In the City, Alphameric will be best known as the manufacturer of the pads for use with the Topic service, the Stock Exchange news service. But its exposure is much wider—it has supplied systems for Ford's vehicle distribution network and foreign exchange dealers for example. And the move into France is potentially rewarding as the country lacks an indigenous keyboard manufacturer.

The distributors generally came a cropper as a result of product over-supply which caused a contraction in margins as larger competitors put on a squeeze and high street retailers used their buying power further to depress prices. Specialised distributors, however, fared better with Northamber, which has recently moved up to a full listing, standing out.

In terms of relative share price performance, the software and service houses put up a mixed bag over the last 12 months but still they remain the most successful area of USM quoted computer companies.

Indeed, in a USM league table for 1985, most of the electronics companies are crowding well down the list of price performance, occupying much of the bottom end. But there was one among the winners — JSD Computer, a supplier of computer staff on an agency basis. After a poor 1984 performance the shares recovered strongly coming up from a low of 35p to touch 92p at one point. As long as demand for skilled staff continues JSD should perform well, if unspectacularly.

BBC home computer supplied by Acorn, which ran into financial difficulties towards the end of 1984.

# Love affair loses some of its ardour

## Peoples Business

TERRY GARRETT

THE CITY'S love affair with peoples businesses quoted on the USM has cooled over the last year. The change of heart was not the traumatic bust-up that some observers had predicted, but over some months investors came to realise that companies they had believed to be the most glamorous members of the market actually had the odd wart or two to mar their beauty. The average rating is still well in excess of the market generally but nowhere near as high as it was a year ago.

The peoples business sector of the market is in fact fairly diverse, taking in everything from sales promotion, through design, to financial public relations. But all the companies have a common denominator—at the end of each day the assets walk out of the door.

There are two basic reasons why the City's ardour has cooled. A host of new entrants have arrived over the past 12 months. As the accompanying table shows, 11 out of the 17 companies listed have joined the USM in 1985. Taking the main market and the USM together, the number of companies available to investors has jumped from 16 to 29. That has obviously had an impact on the rarity value of individual companies, and ratings have suffered as a result.

The other important factor is that shareholders have been served up several disappointments in one shape or another. Although on the main market, the executive upheaval at Good Relations (GR) clearly pinpointed the inherent weakness of any peoples business — a fact that should have been fairly obvious to anyone working in the City. The ability and desire to move on to new pastures does not evaporate as you head westwards past St Pauls.

Mrs Maureen Smith, who had just moved up from managing director to deputy chairman at GR, suddenly announced her departure at the end of August and that she had sold her entire 11.6 per cent shareholding. The departure of other executives and the large number of defections from the City PR team did little for the group's reputation, in the market in particular, but more generally the unsettling experience highlighted what could happen at other agencies.

There was some bad news from the USM companies as well. Among the small band of sales promotions companies, KLP, one of the oldest inhabitants of the USM's peoples businesses, saw its shares take a battering last summer when it announced that Asda, one of its most important clients, was taking it to court.

The news came at the same time as some flat interim results. Despite the company's assertion that Asda would not win its case and that the cost of aggressive expansion was the reason for the dull trading performance, KLP's market value still fell by £3m in a single day.

Last August, Craton Lodge Knight, a product development agency, forewarned that its profits for the year ending the following month would be little different from the previous year's £484,000. Delays in starting a number of major assignments and reorganisations within client companies had led to a shortfall in revenue. The shares slipped below the previous year's placing price.

Those specific difficulties set investors thinking about the possibilities of disappointments from other companies and ratings, some p/e's had been as high as 60, simply had to come back to more realistic levels, although in some cases, according to Neil Blackley, an analyst with brokers James Capel, the reaction was overdone.

And, as he is quick to point out, the relative decline of share prices for people's businesses came against a background of buoyant industry conditions. There are no similarities with electronics, for example, where share prices have rightly tumbled in reaction to a very difficult trading environment. A change of City attitude, rather than a change is fortunes sparked the re-rating.

The sector can be broken down into five categories of activity: advertising, sales promotion, market research, public relations and design. Many of the quoted companies can rightly claim to have several of these activities under their umbrella but for the City, advertising is perhaps the most understood area of operation, if only because the analysts have been looking at it longer—the development of Saatchi and Saatchi has opened a lot of eyes.

UK advertising expenditure has been growing rapidly in recent years. From 1980 to 1984 expenditure climbed from £2.6bn to £4.1bn. Full figures are not yet compiled for 1985 but the television and press parts saw the growth of around 9 per cent to £3.5bn and industry experts expect the total to come out at around £4.5bn while forecasts for this year suggest real growth of 4 per cent for a total monetary spend of £5bn.

The industry is no longer so cyclical. Companies which cut their advertising budgets during the 1974-75 recession found market share lost and it proved expensive to regain. Few repeated that mistake during the 1980-81 period although it is true that advertising generally, and especially on television, is related to corporate profit-ability, and any major setbacks in the future would dent the agencies' earnings.

For the independent agencies, and the stock market, the most exciting area for growth is sales promotion. As a sector it is a fairly wide and diverse area, and one that up to now most companies have been content to handle in-house.

Nevertheless, the specialist agencies are making their impact. So far they have about 7 per cent of the market—put at £5.5bn last year, £1.4bn more than advertising—while the agencies have around 95 per cent of the advertising market.

Not only is the market for sales promotion growing but the agencies' share is also expanding. As with design, companies are coming round to the notion that employing specialists can prove highly rewarding in terms of generating fresh approaches. Sales promotion, according to Paula Shea, an analyst with Capel-Cure Myers, is now being regarded as an increasingly important "fifth arm" to marketing and one deserving of a more sophisticated approach; good news for the agencies.

An idea of how fast some of the new entrants are growing is provided by FKB Group. It started life in February 1982 when Brian Francis, Christopher Killingbeck and Duncan Bain came together. Profits have expanded from £40,000 pre-tax in the year to March 1983 to £359,000 for 1984-85. This year the group could turn in around £1.4m.

Design is a highly fragmented market without industry figures to substantiate growth arguments. Nevertheless, it is undoubtedly a rapidly expanding market as manufacturers and retailers realise the potential of good designs to promote their products and services.

It is a sector slightly less mature in stock market terms, but showing good progress with companies like Michael Peters concentrating on packaging, John Michael making its name in retail and Addison Page in graphics design.

As the table on this page shows, Addison Page dominates the USM's peoples business sector in terms of market capitalisation. The group was formed just over a year ago with the merger of Addison Communications, embracing a spread of activities from design to financial PR, with Michael Page which is a specialist professional recruitment service concentrating on middle management for the accounting and financial service industries.

Market enthusiasm after the merger pushed the shares ahead too far. Inevitably there was a counter reaction later in the year and the shares, at 200p, are fairly close to their low point.

Yet if the profits momentum of 1985 (the figures are due in March) is carried through to the current year the market is looking at a p/e that falls to 18 and then 12 prospective — just about level with the All-Share Average. That gives some idea of how "realistic" ratings have become for some of the marketing companies.

However, even if the ultra glamorous ratings have become a thing of the past, companies will still flock to the USM and the main market. Apart from simply raising money for the founders, a full listing or quote on the USM raises an agency's visibility. Time and time again executives have experienced a sharp increase in new business once their company has the "respectability" of a quote — a good enough reason on its own for making the move.

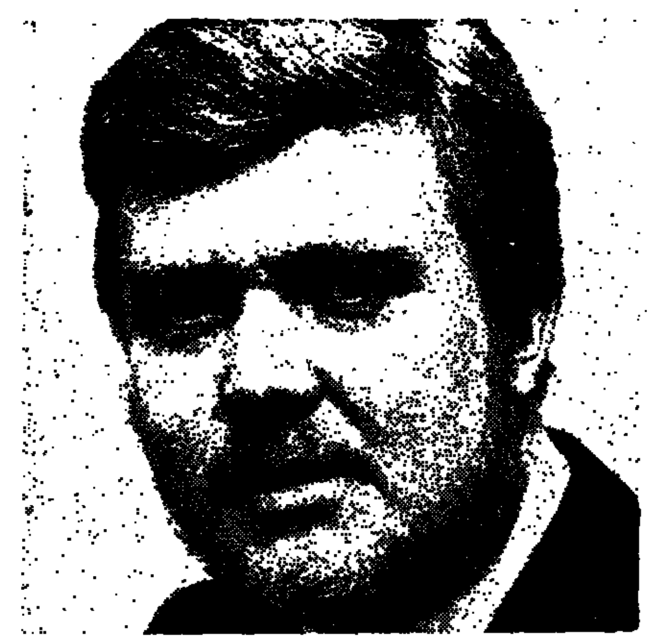
**People's businesses sector of the USM**

| Company | Activity | Joined USM | Year end | Price* (p) | High (p) | Low (p) | Mkt. cap (£m) | Profit (£m) | p/e | Yield % |
|---|---|---|---|---|---|---|---|---|---|---|
| Addison Page | Recruitment, design, PR | 1/85 | 12/84 | 200 | 280 | 190 | 32.5 | 2.0 | 39 | — |
| Crtn Lge Kent | Product development | 10/84 | 9/85 | 120 | 195 | 65 | 8.8 | 0.5 | 24 | 2.2 |
| CPM | Sales promotion | 9/85 | 12/84 | 128 | 135 | 125 | 13.1 | 0.4 | 51 | — |
| FKB | Sales promotion | 7/85 | 3/85 | 153 | 162 | 150 | 13.6 | 0.9 | 27 | — |
| Holmes and Mrch | Promotions, graphics | 6/85 | 9/85 | 418 | 443 | 310 | 16.7 | 1.0 | 26 | 0.7 |
| John Michael | Design | 7/85 | 3/85 | 60 | 72 | 46 | 4.2 | 0.4 | 13 | — |
| KLP | Promotions, design | 6/83 | 9/84 | 270 | 395 | 255 | 13.2 | 0.8 | 28 | 1.4 |
| M. Peters | Design, displays | 10/83 | 6/85 | 168 | 280 | 168 | 10.4 | 0.9 | 18 | 2.2 |
| Millward and Brown | Market research | 11/85 | 3/85 | 170 | 170 | 165 | 10.2 | 0.5 | 27 | — |
| Moorgate | Marketing, advertising PR | 4/85 | 12/84 | 108 | 189 | 107 | 3.4 | 0.3 | 25 | — |
| Moss Advg | Advertising | 7/85 | 8/85 | 95 | 107 | 83 | 3.6 | 0.4 | 13 | — |
| Promotion House | Promotions | 8/83 | 12/84 | 23 | 37 | 21 | 3.6 | 0.7 | 10 | 4.3 |
| Shandwick | Advertising, PR | 10/85 | 7/85 | 171 | 192 | 168 | 7.3 | 0.4 | 21 | — |
| TMD | Media specialist | 11/85 | 8/85 | 120 | 126 | 117 | 6.5 | 0.5 | 22 | — |
| Trade Promotions | Exhibitions | 9/84 | 4/85 | 136 | 144 | 77 | 7.7 | 0.8 | 14 | 3.9 |
| Valin Pollen | Advertising, design, PR | 1/84 | 9/85 | 480 | 670 | 330 | 20.2 | 1.1 | 34 | 3.6 |
| Yellowhammer | Advertising marketing | 7/85 | 3/85 | 118 | 137 | 117 | 12.2 | 0.7 | 24 | 0.7 |

* Mid-January. Ratios are based upon last reported figures.

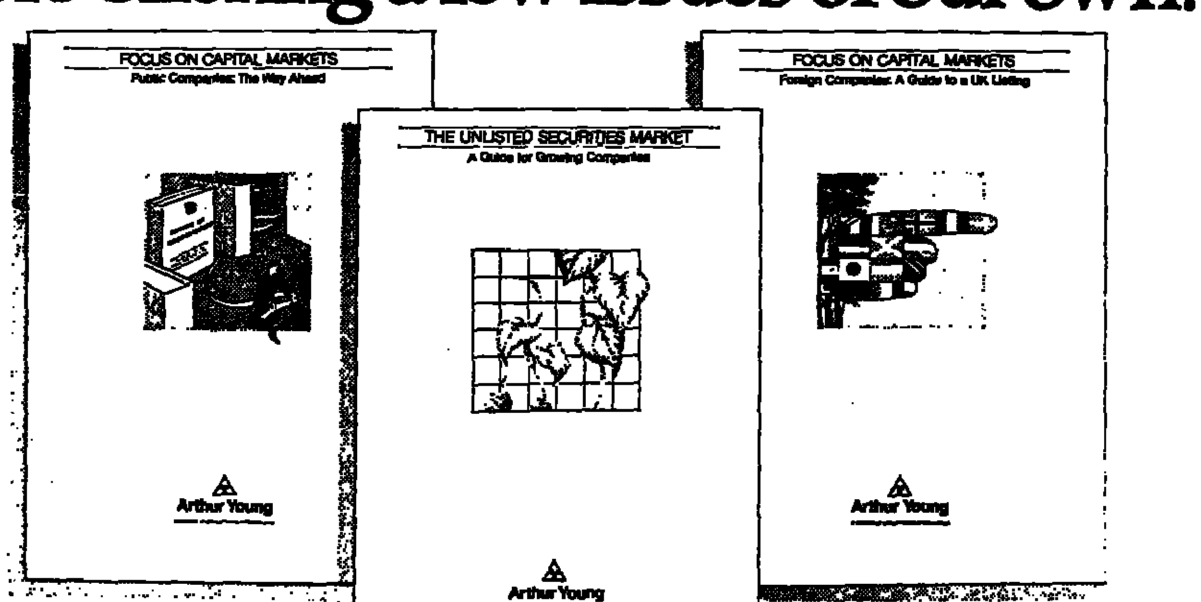
Source: Hoare Govett

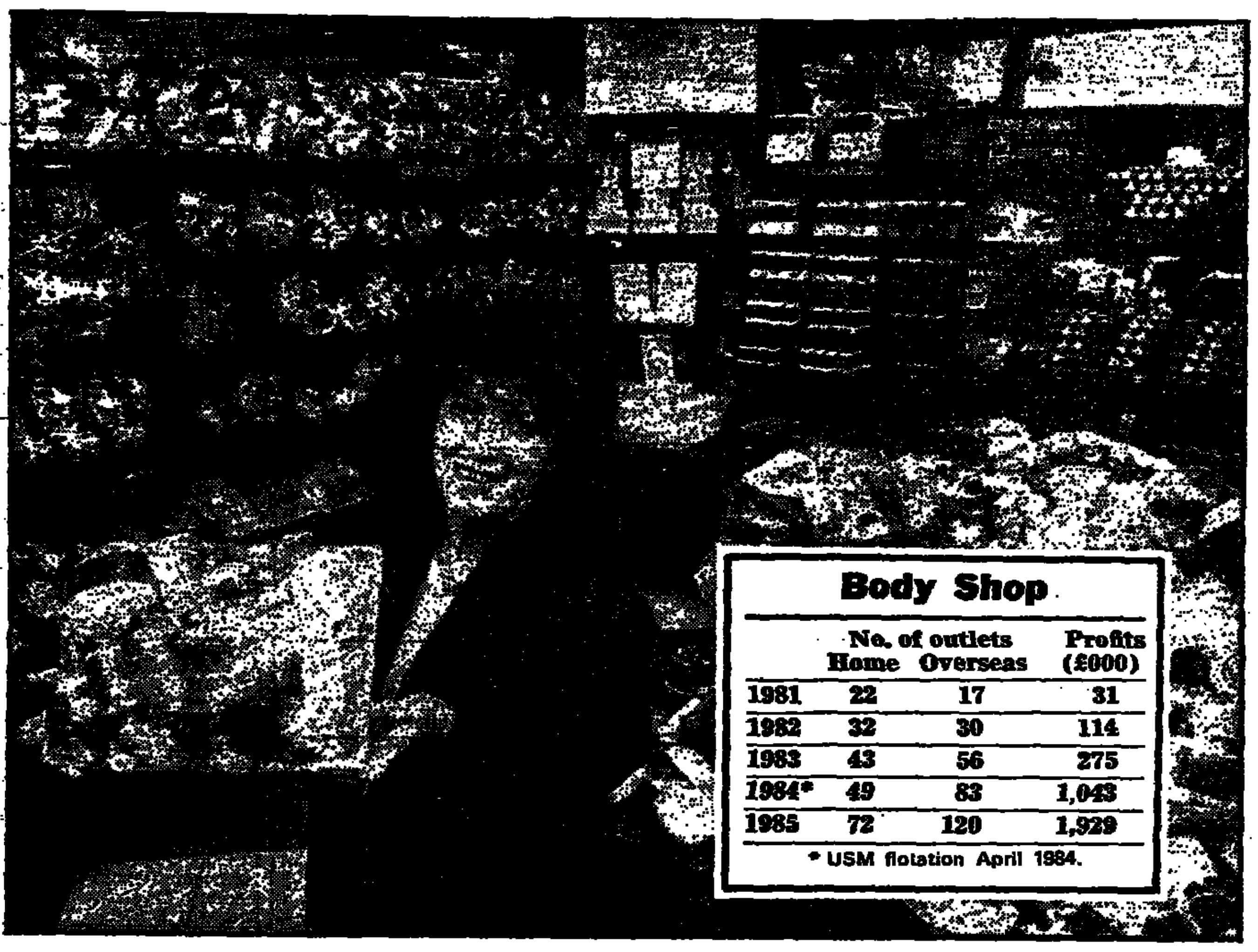
The decline in share prices of peoples businesses has come against a background of buoyant industry conditions. Unlike the slump in the electronics sector, it has been a change in City attitudes rather than a change in fortunes that has sparked reratings.



Michael Page of Addison Page, which dominates the USM's people's business sector in terms of market capitalisation.







| Body Shop | No. of outlets Home | Overseas | Profits (£000) |
|---|---|---|---|
| 1981 | 22 | 17 | 31 |
| 1982 | 32 | 30 | 114 |
| 1983 | 43 | 56 | 275 |
| 1984* | 49 | 83 | 1,043 |
| 1985 | 72 | 120 | 1,929 |

* USM flotation April 1984.

Anita Roddick, who with her husband Gordon founded Body Shop in 1979.

Profile: BODY SHOP

By Frank Kane

# The beauty of organic growth

BODY SHOP International has been called the beauty queen of the USM, and with good reason. The company's shares, priced at 95p in the April 1984 placing, currently trade at well above the 800p mark, having briefly touched 850p. Earlier this month, in its first full year on the market, it reported an 86 per cent profit rise to just under £2m on turnover of £9.4m—an exceptional margin for the stores sector.

But Body Shop is no ordinary store. Founded in 1976 by Gordon Roddick and his wife Anita, it hit upon an elusive commercial concept, the genuine niche market, and proceeded to develop it via the then unorthodox method of franchising.

The result was a fashion fad with staying power, a very rare thing indeed.

Like all good ideas, the initial concept was so simple that you now wonder why nobody had previously thought of it. Anita Roddick looked at cosmetic products, and realised that a large part of their costs were incurred in producing expensive disposable wrappings and containers. In addition, the products themselves were almost entirely man-made and synthetic, at a time when beauty conscious women were becoming aware of the animal experimentation lobby and of the move back to nature in foods and health products. Producing natural products in cheap refillable containers made both commercial and ecological sense.

The formula was an instant success. From the original store in Brighton, the total number of outlets mushroomed to a nation-wide chain of 48 shops at the time of the placing, with a further 56 shops overseas in 16 countries. In the five years from 1979, profits grew ten-fold.

Like all good ideas the initial concept was so simple that it was surprising it had not been thought of before. A thin market in the company's equity and bid rumours have helped keep the share price on an almost unbroken upward course.

By 1984, Body Shop was ready for a public listing.

Gordon Roddick is explicit about the reasons for seeking a USM place. "We were attracted by the advantages of a high profile, especially because of our High Street image. It also improved our credibility. We became contenders for prime retailing positions with people who would have shown us the door a year before." It has always been company policy to rent on a leasehold basis rather than tie down the company's cash in property.

The market greeted the new stock rapturously, doubling its value in the first week's trading, and prompting the odd comment that the issue had been deliberately underpriced. Capel-Cure, Myers, in its defence pointed out that a lot of analysts had thought the placing p/e of 24.5 pretty demanding at the time. Body Shop well exceeded its forecast, however, making a profit of £1m and confounding the sceptics.

Two other factors have also helped to keep the share price rising in an almost unbroken spiral. Soon after the USM placing, there were rumours that here was a bid in the offing, with two tobacco companies, Gallaher and BAT, the prime candidates—incongruous suitors for a health conscious, ecologically minded concern. The rumours came to nothing.

There was also the fact that the Roddicks had taken precautions to ensure that a hostile bid was well-nigh impossible, with 38 per cent of the equity in their hands and a further 7 per cent or so reserved for the franchisees that run the stores.

This situation persists today, and while it has the advantage of making Body Shop virtually bid proof it also makes for an extremely thin market in the shares, bringing with it its own problems.

Any large deals will have a disproportionate effect on the price — a desirable thing when times, as now, are good, but any setback could send the share price into an uncontrollable dive. It is partly to guard against this that recent results were accompanied by a 100 per cent capitalisation issue.

The market has treated the company well, and Gordon Roddick has no doubts about the advantages the quote has brought. "We have become far more professional," he says. "One of the benefits of the USM is the high quality of professional advisers that we've used and who have helped us grow, from merchant bankers to brokers to auditors. After-care is the important thing once the listing is obtained — it is important to choose people who can give sound professional advice."

Body Shop has not been tempted to use its USM paper for acquisitions, but given its track record there has not yet been any need to go for growth via this route. Appropriately enough for its image, the company has been quite capable of organic growth at a fast rate.

It is a record which Gordon Roddick hopes will eventually attract the institutions, up to now conspicuously absent from the share register. "They've tended to view us as a 'here today, gone tomorrow' outfit, but as they see our results and our progress I think they will purchase our shares. They are beginning to realise that we are here to stay."

Institutional support would also be invaluable when the company moves to the full listing on which it has definite designs. The Roddicks regard the move as a logical progression, "just part of the process of growing up," though they decline to set a firm date for the graduation.

Some analysts are plumping for an announcement to coincide with the interim figures next summer, but this may be premature. When it does happen, the company will be confident enough to embark on the acquisition trail at last.

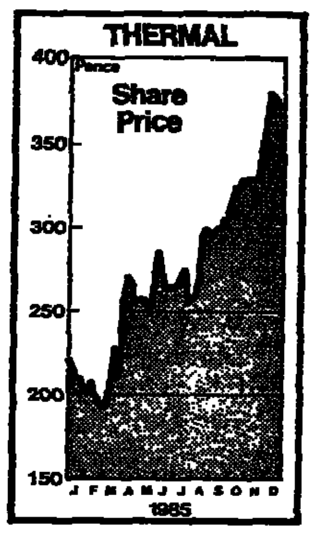
For the moment, however, it is content to remain a well-run and highly profitable business. Plans are well advanced for a move to bigger warehousing premises next June, with enough capacity to service up to 500 outlets, compared with the current figure of 190. Expansion overseas is also set to continue, with the opening of production facilities in Toronto, Canada.

It is an enviable position to be in, as Gordon Roddick is well aware. "Of course, you always have an eye over your shoulder, but I'm pleased to say that it's hard to see any competition," he states.

**Profile: THERMAL SCIENTIFIC**

# Eyes set firmly across Atlantic

FOR A long time, furnaces and Sheffield have been virtually synonymous, but with the rundown of the steel industry it seemed as though the business had had its day. All the more surprising, then, that Thermal Scientific has managed a significant growth record at the hot end of industry from its South Yorkshire base.




Of course, there are furnaces and there are furnaces. The company that Mr Hugh Sykes runs is a million miles from Bessemer's converter and a long way from the dark satanic mills.

Thermal Scientific is a progressive, modern company—it views the US as its main avenue of expansion, high technology is given strong emphasis, and Mr Sykes' main concern is the quality of management and the company's product, not just price/earning ratios and profits.

Not that profits have in any way lagged since the company's USM placing in July 1983. They topped £1m in the 1984-85 year and beat that figure at the halfway stage in the current 12 months. Analysts are looking for just short of £3m for the full year for a p/e ratio of well over 20. This is no mean feat for an organisation with an unfashionable product.

Mr Sykes has no illusions about the driving force behind Thermal Scientific's rise. "It's all about strong management and team-work. If you don't keep management on their toes, you'll come to grief," he says.

He speaks with a good deal of authority, having enjoyed senior positions with several large public companies, including GEC and Bath & Portland. The experience enabled him to build up the network of managerial contacts that he has used to good effect in the creation of this present venture.

As with most companies that have come to the USM, Thermal Scientific was too small to contemplate a full listing, and to remain private was really no option at all. Sykes was determined to go for expansion via acquisitions, and for any bid to be credible he needed paper. This has been well used, with five major purchases since the flotation and a rights issue for £6m last summer. Total spending on purchases so far totals more than £13m, not bad for a company showing net current assets of £4.5m in its last accounts.

The most interesting angle to the expansion has been the increasing tendency to look across the Atlantic. The purchase of Betol, a plastic extrusions concern, was complemented by the acquisition of Killion Extrusions—another American business. The trans-Atlantic slant has meant that, of the company's total turnover of £7.7m, less than half came from the UK, with North America the second largest contributor last year. In 1984 Thermal Scientific had no businesses in the US.

The trend is set to continue, with rumours of another American purchase at around the £5m mark in the near future.

The USM status has undoubtedly helped in the acquisition stakes. "It was a problem at first to convince people that we had something," says Mr Sykes, "and without the listing we would have had to have gone very slowly indeed. The quote has enabled us to achieve our expansion plans."

**Frank Kane**

## TOP ADVISORS TO USM ENTRANTS

| FLOTATIONS BY REPORTING ACCOUNTANTS | | FLOTATIONS BY SPONSORS | | FLOTATIONS BY BROKERS | | FLOTATIONS BY SOLICITORS TO THE ISSUE | |
|---|---|---|---|---|---|---|---|
| Peat Marwick | 67 | Simon and Coates | 24 | Phillips and Drew | 30 | Herbert Smith | 46 |
| Arthur Andersen | 35 | Phillips and Drew | 19 | Simon and Coates | 26 | Clifford Turner | 42 |
| Deloitte Haskins and Sells | 35 | County Bank | 16 | Capel-Cure Myers | 21 | Nabarro Nathanson | 33 |
| Touche Ross | 34 | Capel-Cure Myers | 16 | Laing and Cruickshank | 20 | Nrtn Rose Botterell & Roche | 29 |
| Ernst and Whinney | 30 | Hambros Bank | 14 | Laurence Prust | 17 | Travers Smith Braithwaite | 22 |
| Price Waterhouse | 26 | Samuel Montagu | 12 | Grieveson Grant | 17 | Slaughter and May | 18 |
| Coopers and Lybrand | 24 | Laing and Cruickshank | 11 | L. Messel | 15 | Ashurst Morris & Crisp | 15 |
| KMG Thomson McLintock | 22 | Barclays Merchant Bank | 11 | de Zoete and Bevan | 14 | Macfarlanes | 15 |
| Arthur Young | 19 | Laurence Prust | 10 | Rowe and Pitman | 13 | Linklaters and Paines | 14 |
| Binder Hamlyn | 15 | Hill Samuel | 10 | Fielding Newson-Smith | 12 | Cardales | 13 |
| Thornton Baker | 14 | Schaverien | 10 | Hoare Govett | 12 | Allen and Overy | 11 |
| Stoy Hayward | 11 | L. Messel | 9 | Schaverien | 12 | Berwin Leighton | 10 |
| Spicer and Pegler | 11 | Margetts & Addenbrooke | 9 | Panmure Gordon | 10 | Theodore Goddard | 9 |
| Finnie | 10 | Smith Keen Cutler | 9 | Smith Keen Cutler | 10 | Freshfields | 8 |
| Robson Rhodes | 8 | Kleinwort Benson | 9 | Margetts and Addenbrooke | 9 | Titmuss Sainer and Webb | 7 |
| Pannell Kerr Forster | 8 | Le Mare Martin | 8 | Stock Beech | 9 | Edge Ellison Hatwell & Hinton | 6 |
| Dearden Farrow | 7 | Tring Hall | 7 | James Capel | 8 | Blyth, Dutton and Holloway | 6 |
| Ball Baker Leake | 5 | Stock Beech | 7 | Le Mare Martin | 8 | Halliwell Landau | 6 |
| Neville Russell | 5 | Greene | 7 | W. Greenwell | 8 | Evershed and Tomkinson | 5 |
| Hacker Young | 4 | Fielding Newson-Smith | 7 | Albert E. Sharp | 8 | Wedlake Bell | 5 |
| Cape and Dalgleish | 3 | L. Messel | 6 | Statham Duff Stoop | 7 | Jaques and Lewis | 5 |
| Saffery Champness | 3 | Charterhouse Japhet | 6 | Northcote | 7 | Wragge | 5 |
| Simmons Cohen Fine | 3 | Quilter Goodison | 6 | Quilter Goodison | 7 | Withers | 5 |
| Longcrofts | 3 | Henderson Crosthwaite | 6 | Greene | 7 | Osborne Clark | 4 |
| Rawlinsons | 3 | Cooke Lumsden | 6 | Sternberg Thomas Clarke | 6 | Simmons and Simmons | 4 |
| Leigh Carr | 3 | Robert Fleming | 6 | J. and E. Davy | 6 | Stephenson Harwood | 4 |
| Auerbach Hope | 2 | Hichens Harrison | 6 | Cazenove | 6 | A. and L. Goodbody | 4 |
| Berke Cohen Fine | 2 | Albert E. Sharp | 6 | Laurie Milbank | 6 | Stallard | 4 |
| Diss Goodman | 2 | Hill Woolgar | 5 | Henderson Crosthwaite | 6 | Cameron Markby | 3 |
| Dutton Moore | 2 | Northcote | 5 | Strauss Turnbull | 6 | Lovell White and King | 3 |
| Farmiloe | 2 | Statham Duff Stoop | 5 | Cooke Lumsden | 6 | Coward Chance | 3 |
| Hazlewood | 2 | Allied Irish Inv Bank | 5 | Earnshaw Haes | 6 | McKenna | 3 |
| Hodgson Harris | 2 | Laurie Millbank | 5 | Hichens Harrison | 6 | Pinsent | 2 |
| Jones and Partners | 2 | James Capel | 5 | Parsons | 5 | S. J. Berwin | 2 |
| Kidsons | 2 | Heseltine Moss | 5 | E. B. Savory Milln | 5 | Dickinson Dees | 2 |
| Lovewell Blake | 2 | Morgan Grenfell | 5 | Sheppards and Chase | 5 | Dundas and Wilson | 2 |
| Reads | 2 | de Zoete and Bevan | 5 | Scrimgeour Vickers | 5 | Durrant Piesse | 2 |
| Rothman Pantall | 2 | Grieveson Grant | 5 | Heseltine Moss | 4 | McGrigor Donald | 2 |
| Casson Beckman | 2 | Fiske | 4 | Wood Mackenzie | 4 | Memery Crystal | 2 |
| | | Hoare Govett | 4 | Fiske | 4 | Richards Butler | 2 |
| | | E. B. Savory Milln | 4 | | | | |
| Others | 102 | Others | 125 | Others | 65 | Others | 56 |

# The cost conscious competitor

**Over the Counter Market**
GEORGE GRAHAM

> The concern will be to provide an adequate level of regulation without making the over the counter market too expensive an option for companies wanting to raise equity finance.

THE OVER the counter market (OTC) has not traditionally suffered from an excess of regulation, but there is now a queue of candidates for the task of laying down the law to the amorphous group of dealers who trade shares outside the Stock Exchange.

Two main organisations are vying for the attention of the Securities and Investment Board, which will have the power to recognise them as self-regulatory organisations or as investment exchanges under the new Financial Services bill now before Parliament.

The first, and in most senses the establishment candidate, is the National Association of Securities Dealers and Investment Managers (Nasdim). It has built up a large membership by virtue of being recognised as a self-regulatory organisation under the old Prevention of Fraud (Investments) Act, but most of these members are insurance brokers and investment advisers. Few Nasdim members are actively engaged in making markets in OTC shares.

Granville & Co, Nasdim's founder member, does operate an over the counter market, but this is conducted only on a matched bargain basis, pairing buyers with sellers. Of the larger full market makers, who act in the same way as Stock Exchange jobbers by holding their own lines of stock and taking profits on the spread between buying and selling prices, more at the moment belong to the British Institute of Dealers in Securities (Bids).

Bids includes the largest OTC market maker, Havard Securities, the flamboyant chairman of which, Mr Tom Wilmot, claims to carry out over 2,500 bargains a week in 85 OTC stocks, as well as in selected Stock Exchange listed shares such as Britoil and British Telecom.

Mr Wilmot says that Nasdim members simply do not have the experience of market making to run an investment exchange effectively, or to regulate OTC market makers.

Both organisations have rule books which cover the liquidity market makers must maintain; the listing details that must be published before a company's shares may be traded; and the dealing arrangements and compensation funds necessary to protect private investors against insider dealing or the collapse of a market making company. Much remains to be done, however, in the field of regulation, for the OTC market's reputation still leaves much to be desired.

Some dealers are in fact members of both the rival organisations, so some attempt at a merger may be possible.

Whether Nasdim or Bids eventually receives the Securities and Investment Board's seal of approval, their concern will be to provide an adequate level of regulation without making the over the counter market too expensive an option for companies wanting to raise equity finance.

"The USM has been a great success but it has failed in one of its original objectives, that of providing start-up equity for companies—venture equity capital," said Mr John Cucksey of accountants Robson Rhodes. "This is a gap OTC markets can fill."

The gap in costs between the OTC and the USM may often not be very large, but accountants Spicer and Pegler estimated last year that 55 per cent of OTC new issues cost less than £100,000, compared to an average of £130,000 to £150,000 on the USM in the same period. The costs varied, however, from as little as £5,000 to over £300,000.

Fees will, of course, vary with the size of the flotation, and in some cases on the OTC the proportion of funds raised paid out to sponsors and advisers can be exorbitant. One recent flotation with an elaborate prospectus, for example, had expenses that amounted to 9 per cent of the maximum it sought to raise, and a whacking 33 per cent if only the minimum subscription was raised.

There will also be annual fees to the sponsoring market maker, although companies coming to the USM will also face annual costs in the form of Stock Exchange fees and extra paperwork.

Some companies will find particular advantages in choosing the OTC rather than the USM. One group, for example, finds that the term "unlisted" has unfortunate connotations with its American customers, whereas the OTC market is widely recognised in the US through the success of the National Association of Securities Dealers Automated Quotation system, where stock in over 4,000 companies can be sold electronically.

Others prefer the Granville matched bargain market, where potentially hostile shareholders are screened out, and the price volatility that can come from active trading is precluded.

The most significant reason for choosing the OTC in the past few years has, however, been the Business Expansion Scheme. The terms of the scheme, which gives tax relief to investors in companies carrying on qualifying trades, debar any companies whose shares are listed — and listed, in this context, includes the USM but not the OTC.

Many of the companies that have raised money under the Business Expansion Scheme have made arrangements for their sponsors to make a market in their shares.

BES investors have to hold on to their shares for at least five years if they are to retain tax relief on their investments, so these arrangements are for the most part hypothetical.

But this year the first companies which raised money under the Business Start-up Scheme—the BES's predecessor—will reach their fifth anniversary. From 1988, when the much greater numbers of BES companies begin to pass their five year marks, OTC dealers expect a flood of shares coming onto the market.

Some leading participants in the BES, including Granville, which has sponsored a number of issues and has run a fund investing under the terms of the BES, and Electra, which manages several BES funds, plan a third tier market specifically designed to allow BES investors to realise the value of their shares.

As these smaller companies arrive on the equity markets for the first time, some participants believe that the "Big Bang" changing Stock Exchange dealing arrangements and minimum commissions will mean that all but a handful of major stocks will in effect move down onto the same sort of irregular telephone market now known as the OTC. But before that happens, the OTC must lose its bucket shop image.